

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

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 001-41026

BACKBLAZE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

201 Baldwin Ave.  
San Mateo, CA

(Address of Principal Executive Offices)

20-8893125

(I.R.S. Employer  
Identification No.)

94401

(Zip Code)

(650) 352-3738

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value per share	BLZE	The Nasdaq Stock Market LLC

Securities registered pursuant to section 12(g) of the Act:

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☒

Smaller reporting company

☒

Emerging growth company

☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price of \$4.33 for a share of the registrant’s Class A common stock on June 30, 2023 (the last business day of the registrant’s most recently completed second quarter), as reported by the Nasdaq Global Market, was approximately \$98.2 million. Shares of Class A common stock held by each executive officer, director, and holder of 5% or more of the Class A outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 29, 2024, 41.2 million shares of the registrant’s Class A common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the information called for by Part III of this Annual Report on Form 10-K is hereby incorporated by reference from the definitive proxy statement for the registrant’s 2024 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after the registrant’s fiscal year ended December 31, 2023.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical facts contained in this Annual Report on Form 10-K, including statements regarding our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties, and other important factors that are in some cases beyond our control and may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will” or “would” or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our ability to sell our platform offerings to new customers;
- our ability to retain and expand use of our platform by our existing customers;
- our ability to effectively manage our growth;
- our ability to successfully obtain timely returns on our investments in initiatives relating to sales and marketing, research and development, and other areas;
- our ability to maintain our competitive advantages;
- our ability to maintain and expand our partner ecosystem;
- our ability to maintain the security of our platform and the security and privacy of customer data;
- our ability to successfully expand in our existing markets and into new markets;
- the attraction and retention of qualified employees and key personnel;
- our ability to successfully defend litigation brought against us;
- the impact of pandemics, inflation, war, other hostilities and other disruptive events on our business or that of our customers, partners, and supply chain or on the global economy;
- our ability to successfully remediate and prevent material weaknesses in internal controls over financial reporting; and
- the expenses associated with being a public company.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled “Risk Factors” and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Annual Report on Form 10-K. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

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

## Part I

### Item 1. Business

We are a leading specialized storage cloud platform, providing cloud services to store, use, and protect data in an easy and affordable manner. We provide these cloud services through a purpose-built, web-scale software infrastructure built on commodity hardware. We believe that by offering an easy to use, cost-effective cloud storage solution, and thereby substantially reducing the cost, complexity and frustration of storing, using, and protecting data, we can empower customers to focus on their core business operations. Through our blog and culture of transparency, we have built a community of millions of readers and brand advocates. Referrals from our community of brand advocates, combined with our highly efficient and primarily self-serve customer acquisition model and an ecosystem of thousands of partners, have allowed us to attract more than 500,000 customers as of December 31, 2023, and our sales and channel efforts have supported us acquiring larger customers. These customers use our Storage Cloud platform across more than 175 countries to grow and protect their business data on our over 3 billion gigabytes, of data storage under management.

At its founding, Backblaze set out to dramatically simplify the process of storing, using, and protecting data. Over the following years we focused relentlessly on cutting away the complexity common among traditional cloud vendors' services and legacy on-premises system vendors. Today, we believe our solutions are differentiated by their ease of use and affordability. We believe that focusing on storage use cases and promoting an open cloud ecosystem helps position us to integrate well with a broad range of partners. From our straightforward pricing model, to our transparent communication with customers, to the popular and insightful content on our blog—we believe we have established ourselves as an open and trusted provider and partner.

The Backblaze Storage Cloud organizes, safeguards, and keeps over 850 billion files available on demand and is designed to handle much more in the future. Through our purpose-built software that manages our global physical infrastructure, we provide a platform that we believe is durable, scalable, performant, and secure. Our two cloud services that we offer on our Storage Cloud are:

- **Backblaze B2 Cloud Storage:** Enables customers to store data, developers to build applications, and partners to expand their use cases. The amount of data stored in this cloud service can scale up and down as needed on a pay-as-you-go basis, or can be paid for on a capacity basis for greater predictability, which we refer to as our B2 Reserve offering. This Infrastructure-as-a-Service (IaaS) enables use cases including backups, multi-cloud, application storage, ransomware protection, and storage for AI/ML workflows.
- **Backblaze Computer Backup:** Automatically backs up data from laptops and desktops for businesses and individuals. This cloud backup service offers easily understood flat-rate pricing to continuously back up a virtually unlimited amount of data. This service is offered as a subscription-based Software-as-a-Service (SaaS) and serves use cases including computer backup, ransomware protection, theft and loss protection, and remote access.

Our solutions are designed for individuals and businesses of all sizes and across all industries but have a particularly strong appeal to mid-market organizations (which we define as organizations with 10 to 999 employees) due to their desire for easy-to-use and cost-effective solutions.

Our go-to-market model is a layered approach that includes our self-service motion and our sales driven motion that focuses on larger customers. The sales driven motion includes our direct sales team that contracts directly with customers and our channel sales team that contracts sales through our channel partners. More recently, we also added our Powered By Backblaze program that enables third parties to integrate Backblaze and thus offer cloud storage as part of their product offering.

Prospective customers find us through a variety of channels including our website, partners, and brand advocates. We have fostered community engagement with content we share on our blog—in 2023 alone, millions of readers consumed content that we shared there. Our free trial and self-serve sign-up processes help convert our blog readers and referrals from our brand advocates into customers, with approximately 76% of our total revenue in 2023 coming from self-serve customers. Our technology, channel and managed service provider (MSP) partners help expand use cases and sales channels and attract customers, thereby increasing usage of our Storage Cloud. Our sales driven selling motion focuses on selling our cloud services to larger customers and opportunities to increase revenue with existing customers. Customers acquired by our sales motion frequently have a significantly larger average revenue per customer than our self-serve customers.

Substantially all of our revenue is recurring in nature. We employ a land-and-expand model that drives additional revenue from existing customers. As customers generate, store, and back up more data, their use of our platform increases, creating natural opportunities for revenue expansion. We can further expand our relationships with our customers when they adopt new features and use cases that lead to increased usage of our platform.

Our B2 Cloud Storage revenue grew by 40% during the year ended December 31, 2023 and our Computer Backup cloud service revenue grew by 7% during the year ended December 31, 2023.

Our ecosystem of partners—including technology partners, channel partners, and MSPs—helps us expand our platform in existing and new markets.

- **Technology Partners.** Our platform, alongside the platforms of our technology partners, enables software developers to efficiently build their applications and provides a cloud storage destination for partners whose products require storage to serve their customers. Partners providing software, hardware, and SaaS services to perform backups, synchronize data, manage media, and address other use cases either select our Storage Cloud for the underlying data storage, or offer it as a choice to their customers.
- **Channel Partners.** We sell B2 Cloud Storage to resellers at a discounted rate. Resellers then market and sell B2 Cloud Storage individually or as part of broader solutions to businesses and organizations. The channel provides greater access to markets with specialty needs in the purchasing process, like state and local governments and educational institutions.
- **Managed Service Providers (MSP).** Our platform enables MSP partners to store data for backups, archives, hybrid cloud setups, ransomware protection, and otherwise manage their clients' data. MSPs provide critical IT solutions for mid-market organizations who often lack the resources to do so themselves. We believe these providers are drawn to our solutions due to our support of the breadth of their offerings, competitive pricing which helps MSPs with their own margin profile, and ease of use.

We have programs to support these partners, and our newly launched Powered By Backblaze program supports Technology Partners, MSPs, and others by enabling them to more easily integrate our cloud storage and offer it directly to their customers. This expands both their opportunity and ours.

The markets addressed by our platform include Public Cloud Infrastructure-as-a-Service (IaaS) storage as well as Data-Protection-as-a-Service (DPaaS). According to IDC forecasts, the worldwide market for Public Cloud IaaS Storage is expected to grow to \$91.0 billion by 2025. Additionally, according to IDC, the worldwide market for DPaaS is expected to grow to \$18.4 billion by 2025. We believe our efficient go-to-market and focus on ease of use are particularly suited to selling to and serving the needs of mid-market businesses (defined as businesses and organizations with 10 to 999 employees). According to our analysis of IDC data, mid-market businesses are expected to represent approximately 60% of worldwide IaaS spending throughout the forecast period (2021 to 2025). We believe this ratio serves as a reasonable proxy for spending across both markets. Applying this ratio to the Public Cloud IaaS Storage market yields a mid-market opportunity growing to \$54.6 billion in 2025. Applying the same ratio to the DPaaS market yields a mid-market opportunity growing to \$11.0 billion by 2025.

## Our Platform and Cloud Services

### *Our Platform: Backblaze Storage Cloud*

The Backblaze Storage Cloud provides the core platform for our cloud services and is designed to be durable, available, scalable, secure, performant and predictive. This storage cloud organizes, safeguards, and keeps over 850 billion files available on demand and is designed to handle many more in the future. The key enabler of the Backblaze Storage Cloud is the software that runs it, which contains millions of lines of code that our software engineering team has written and continually improved since our Company's founding. The ability to manage an ever-larger amount of data across ever-larger hard drives while maintaining data availability and durability continues to be highly complex. This web-scale software layer receives, stores, and delivers data for customers across the globe. Our code achieves this for billions of files under management by intelligently allocating storage locations in line with capacity and demand. Continued investment in developing data compaction, compression, and other software innovation further improves our ability to efficiently leverage hardware. Alongside these core processes, our software layer also manages load balancing, caching, deletion,

billing, as well as numerous other essential functions for hundreds of thousands of customers. Generally weekly code updates regularly enhance these functions.

Our vault architecture creates redundancy for the storage of customer data using proprietary and other algorithms. Our software splits each uploaded customer file into several data parts, adds multiple redundant parts, and stores these parts across discrete hard drives in different servers in a data center. As a result, even if a few of the parts are entirely lost or offline, we are able to reconstruct the customer data from the remaining parts for durability. Multiple vaults are grouped together to form one cluster, and one or more clusters are organized into a region. Our globally distributed storage platform also offers customers multi-region geographic choice for their data—currently between East and West Coast regions in the United States and Europe—providing flexibility for different needs including geopolitical considerations, regulatory requirements, and performance optimization.

Our software manages our global physical infrastructure of more than 300,000 hard drives and one terabit per second (one million megabits per second) of network capacity across multiple data centers. Our systems also manage the automation, monitoring, and security of this infrastructure.

As our customers' data grows, and our total revenue with it, we seek to continuously and smoothly deploy additional infrastructure and utilize finance leases to match the capital outlays with additional incoming revenue. A significant amount of our employees are either software engineers that develop and improve the software that runs our Storage Cloud or Cloud Operations employees that specialize in network operations, site reliability engineering, technical operations, and supply chain, which operate our software and systems to deliver our infrastructure as a service and our cloud services.

### ***Our Cloud Service Offerings***

***Backblaze B2 Cloud Storage.*** B2 Cloud Storage provides customers direct access to our Storage Cloud to store, use and protect data. Users can access the platform through industry standard and native application programming interfaces (APIs), software development kits (SDKs), our web interface, or hundreds of third-party integrations. The wide range of options for accessing B2 Cloud Storage allows anyone to use it, including developers and partners who can integrate storage capabilities into their technology stack or build their own solutions on top of our platform. Customers also strategically tier backups of their core data systems to our cloud, including on-premises and virtual machine servers and other high-capacity storage devices. More recently, businesses are incorporating B2 Cloud Storage into artificial intelligence (AI) and machine learning (ML) workflows ranging from storing large media libraries for later analysis and categorization to housing the large quantities of data that AI models generate. Customers leverage B2 Cloud Storage for a wide range of other use cases as well, including public, hybrid and multi-cloud data storage; application development and DevOps; content delivery and edge computing; security and ransomware protection; media management; backup, archive and tape replacement; and Internet of Things (e.g., storing data for surveillance systems, autonomous vehicles, and smart devices).

***Backblaze Computer Backup.*** Our Computer Backup cloud service backs up laptops, desktops, and external hard drives in a continuous and automated fashion. Whether for home computers or a business' full fleet of machines, customers can back up a virtually unlimited number of files without size or speed constraints. This cloud service includes a lightweight agent that runs locally on each end user's computer, continuously searching for new and changed files in a manner unobtrusive to the user. When a new or changed file is detected, the altered data is backed up and sent to the Backblaze Storage Cloud. Once there, it is accessible to the end user or business administrator responsible for managing the account. In the event of data loss, customers can restore all or portions of their backed-up data. Customers leverage Computer Backup for many different use cases, including Mac and PC backup; ransomware protection; theft and loss recovery; data archiving; organization and MSP-level management; and remote access.

### **Customers**

Our customers consist of a wide range of organizations and businesses—particularly mid-market organizations—and consumers. As of December 31, 2023, we had over 500,000 customers in over 175 countries, including approximately 432,000 customers using our Computer Backup cloud services solution and approximately 98,000 customers using our B2 Cloud Storage solution (approximately 17,000 customers use both our B2 Cloud Storage and Computer Backup solutions). Our customers span a range of industries, including a broad range of businesses, MSPs, developers, media teams, AI innovators, creative agencies, academic institutions, government agencies, research institutes, gaming companies, and

individuals. Our customer base is highly diversified, with no single customer accounting for more than 1% of our total revenue in 2023 or 2022.

### **Sales and Marketing**

We have a layered go-to-market model that includes our self-service motion and our sales driven motion that focuses on larger customers. The sales driven motion includes our direct sales team that contracts directly with customers and our channel sales team that contracts directly with customers and our channel sales team that contracts sales through our channel partners. More recently, we also added our Powered By Backblaze program that enables third party platform providers to purchase Backblaze to then sell it to their customers as a part of their product offering.

Prospective customers find us through a number of sources including our website, partners, and brand advocates. We regularly optimize our website, and in 2023 we modernized our website to improve the user experience and increase traffic through search engine optimization to accelerate lead generation. We have fostered community engagement through the content shared on our blog, which is read by millions of people. In addition to generating customers, our content generation efforts have contributed to building a community of thousands of partners. Our technology, channel, and MSP partners expand use cases and attract customers, thereby increasing the usage of our platform.

Our marketing efforts focus on establishing our brand, generating awareness, creating leads, and cultivating the Backblaze community. The marketing team consists primarily of product marketing, corporate communications and publishing, social media, growth marketing, and website teams. We leverage both online and offline marketing channels such as blogs, events and trade shows, seminars and webinars, whitepapers, case studies, search engines, advertising and email marketing.

We complement our self-serve customer acquisition model with a growing sales team that is focused on larger customers. Among other things, our sales and marketing teams focus on inbound inquiries, outbound prospecting targeting specific use cases, and growing the adoption of our offerings in existing customers. We have invested, and expect to continue to invest, in our sales and marketing capabilities to capitalize on our large market opportunity. We have also established a Developer Evangelism function to support our focus on supporting developers and applications storage use cases, and scaled up our partnerships team to grow our technology and channel partnership opportunity.

### **Research and Development**

We invest substantial resources in research and development. We have an internal technology roadmap to introduce new features and functionality to our platform. Those investments have continued to result in innovations to the platform such as shard stash which improves small file uploads up to 30% faster than competitors and product enhancements such as Powered By Backblaze which enables customers to sell B2 Cloud Storage on their platform. Development of software based solutions such as Computer Backup Enterprise Control provides up-selling opportunities that help customers while improving our gross margin profile. Substantially all of our engineering organization is focused on software development.

We generally have a continuous product release cycle and we typically release updates on a weekly basis. We establish priorities for our organization by collaborating closely with our customers, community, and employees.

### **Competition**

Our current primary competitors generally fall into the following categories: traditional public cloud vendors, such as Amazon.com, Inc. through Amazon Web Services, Alphabet Inc. through Google Cloud Platform, and Microsoft Corporation through Azure; certain smaller and private cloud storage competitors; and legacy on-premises storage vendors such as Dell EMC.

We compete primarily based on the ease of use of our product and lower pricing, along with our support for an open cloud ecosystem. Our innovation increasingly plays a role in how we attract and win customers, including work on key platform features; interoperability; capabilities for configurability and APIs; and, availability, durability, scalability, and performance. We are also differentiated by brand awareness and reputation; transparency of our pricing with customers; customer support; independence; security; and our partner ecosystem.



## **Intellectual Property**

Our success depends in part on our ability to obtain and maintain intellectual property protection for our technology platform and cloud services, defend and enforce our intellectual property rights, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating, or otherwise violating the intellectual property rights of others. While we do not own any patents, we protect our intellectual property through a combination of trade secrets, copyrights, trademarks, service marks, and domain names where appropriate. In addition, we control access to our proprietary technology by entering into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with third parties, such as service providers, vendors, individuals, and entities that may be exploring a business relationship with us. We own two registered trademarks in the United States for the word Backblaze and the Backblaze logo.

Policing unauthorized use of our technology and intellectual property rights is difficult. Despite our efforts to protect our proprietary technology and our intellectual property rights, unauthorized parties may attempt to copy or obtain and use our technology to develop applications with the same functionality as our offerings. In addition, while we have confidence in the measures we take to protect and preserve our trade secrets, they may be inadequate and can be breached, and we may not have adequate remedies for violations of such measures. Furthermore, our trade secrets may otherwise become known or be independently discovered by competitors.

We may also be subject to third-party infringement claims from our competitors or non-practicing entities, many of these parties may have more significant resources and funding than we have. For more information regarding risks related to intellectual property, please see “Risk Factors—Risks Related to Intellectual Property.”

## **Employees and Human Capital**

We believe we have an aligned and engaged workforce with relatively limited employee turnover. As of December 31, 2023, we had 381 full-time employees.

A significant amount of our employees are based out of our San Mateo, California headquarters. However, since March 2020 and throughout the COVID pandemic, employees generally worked remotely. Our offices reopened in 2022 after the pandemic, and most employees located in proximity to our headquarters office location utilize a hybrid approach which includes a mixture of working in the office and working remotely from home.

Culture is very important at Backblaze and we recognize that employees are our greatest asset. We recognize and value the importance of diversity, equity and inclusion and have a Diversity, Equity and Inclusion Committee that is comprised of a diverse group of employees and management. The committee is committed to cultivating and nurturing an inclusive and diverse environment at Backblaze by providing unique opportunities that will bring forth and promote the variety of cultures, backgrounds and circumstances that make up the Backblaze team while surpassing basic tolerance with awareness, acceptance and action.

No employees are represented by a labor union with respect to his or her employment by us. We have not experienced any work stoppages, and we consider our relations with our employees to be good. We also note strong survey ratings about our company, as evidenced by our Glassdoor 4.4/5.0 rating, 92% approval of our CEO, 88% “Recommend to a Friend” rating as of March 8, 2023, and inclusion on the “Great Place to Work” nationally recognized list.

## **Facilities**

Our principal executive offices are located in San Mateo, California. We lease data center facilities in California, Arizona, Virginia, and Amsterdam, the Netherlands. We believe that our properties are generally suitable to meet our needs for the foreseeable future. In addition, to the extent we require additional space in the future, we believe that it would be available on commercially reasonable terms.

## **Corporate Information**

We were incorporated in Delaware in 2007 under the name Backblaze, Inc. We completed our initial public offering in November 2021 and our common stock is listed on The Nasdaq Stock Market LLC under the symbol “BLZE.” Our principal executive offices are located at 201 Baldwin Ave., San Mateo, CA 94401 and our telephone number is (650) 352-3738. Our website address is [www.backblaze.com](http://www.backblaze.com).

## Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, are filed with the Securities and Exchange Commission, or the SEC. Such reports and other information filed or furnished by us with the SEC are available free of charge on our website at <https://ir.backblaze.com/> as soon as reasonably practicable after such reports are available on the SEC's website. The SEC maintains a website that contains reports and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). The information contained on the websites referenced in this Annual Report on Form 10-K is not incorporated by reference into this filing. Further, our references to website URLs are intended to be inactive textual references only.

### Item 1A. Risk Factors

*Certain factors may have a material adverse effect on our business, financial condition, and results of operations. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes, included elsewhere in this Annual Report on Form 10-K. Our business, financial condition, results of operations, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of these risks actually occur, it may materially harm our business, financial condition, liquidity, results of operations, and the market price of our Class A Common Stock.*

#### Risk Factors Summary

Below is a summary of the principal factors that make an investment in our Class A common stock speculative or risky. Importantly, this summary does not address all of the risks that we face. Our ability to execute our business strategy is subject to numerous risks, as more fully described in the section titled "Risk Factors" immediately following this summary. These risks include, among others:

- We have a history of cumulative losses, and we do not expect to be profitable for the foreseeable future.
- The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results would be harmed.
- Any significant disruption in our service or loss, or delay in availability, of our customers' data, could damage our reputation and harm our business and operating results.
- If we are unable to maintain our brand and reputation, our business, results of operations, and financial condition may be adversely affected.
- If our information technology systems, including the data of our customers stored in our systems, are breached or subject to cybersecurity attacks, our reputation and business may be harmed.
- If we are unable to attract and retain customers on a cost-effective basis, our revenue and operating results would be adversely affected.
- If we are unable to provide successful enhancements, new features, and modifications to our cloud services, our business could be adversely affected.
- Material defects or errors in our software could negatively impact our business, harm our reputation, result in significant costs to us, and negatively impact our ability to sell our cloud services.
- We rely on third-party vendors and suppliers, including data center and hard drive providers, which may have limited sources of supply, and this reliance exposes us to potential supply and service disruptions that could harm our business.
- Our business depends, in part, on the success of our strategic relationships with third parties.
- We have identified material weaknesses in our internal controls over financial reporting, and the failure to achieve and maintain effective internal controls over financial reporting could harm our business and negatively impact the value of our Class A common stock.

## **Risks Related to Our Business and Our Industry**

***We have a history of cumulative losses, and we do not expect to be profitable for the foreseeable future.***

We incurred net losses of \$59.7 million and \$51.4 million for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, we had an accumulated deficit of \$147.5 million. We cannot guarantee that net losses in future periods will be similar to those from prior periods. We intend to continue scaling our business to increase our customer base and to meet the increasingly complex needs of our customers. We have invested, and expect to continue to invest, in our sales and marketing organization to sell our cloud services around the world and in our development organization to deliver additional features and capabilities of our cloud services to address our customers' evolving needs. We also expect to continue to make significant investments in our data center infrastructure and technical operations organization as we further scale our business. As a result of our continuing investments to scale our business in each of these areas, we do not expect to be profitable for the foreseeable future. We cannot assure you that we will achieve profitability in the future or that, if we do become profitable, we will sustain profitability.

***The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results would be harmed.***

The markets in which we operate are highly competitive, with relatively low barriers to entry for certain applications and services. Some of our competitors include cloud-based services such as those offered by Amazon.com, Inc. through Amazon Web Services, Alphabet Inc. through Google Cloud Platform, and Microsoft Corporation through Azure, and on-premises offerings such as those offered by EMC/Dell and NetApp. Many of our competitors and potential competitors are larger and have greater name and brand recognition; much longer operating histories; larger marketing budgets for the development, promotion and sale of their products or services; broader service offerings and capabilities; and significantly greater resources than we do. In addition, many of our competitors have established marketing and distribution relationships with channel partners, consultants, system integrators, and resellers. Our competitors may also be able to respond more quickly and effectively to new or changing opportunities, technologies, standards, or customer requirements, including offering multiple types of storage solutions with various price points, feature sets and performance levels. Competition may intensify in the future and may also include new market entrants, including storage offerings by some of our partners. Our competitors could offer their products or services at a lower price or in some combination with other services or applications that we do not offer, which could result in pricing pressures on our business. In the third quarter of 2023, we also announced price increases to our Computer Backup and B2 Cloud Storage offerings, which took effect in the fourth quarter of 2023. While there was some incremental decline in the rate at which customers increase storage with us during the fourth quarter of 2023, we did not experience any material impact on customer retention as of December 31, 2023. However, we may have not yet realized the full impact of the price increases, which could cause us to lose existing customers who do not wish to renew their subscriptions at the higher prices, reduce the number of new customers that buy our products, or decrease the amount of data that customers store with us or subscriptions they purchase from us. Increased competition generally could result in reduced sales, increased customer churn, lower margins, losses, or the failure of our cloud services to achieve or maintain widespread market acceptance, any of which could harm our business.

***Any significant disruption in our service or loss, or delay in availability of our customers' data, could damage our reputation and harm our business and operating results.***

Our brand, reputation, and ability to manage our systems; attract, retain, and serve our customers; and interface with our partners, are dependent upon the reliable performance of our platform, including our underlying technical infrastructure, as well as the systems and infrastructure of various third parties, including third-party hosted data centers that we use and internet access and infrastructure used by us and our customers and partners. Our customers rely on our platform to store and access their data, including financial records, business information, personal information, documents, media, and other important content. There are various reasons that our platform, or the systems that are used to access or support our platform, could experience a disruption in service, some of which are entirely outside of our control. For example, our facilities as well as the data centers that we use are vulnerable to damage or interruption from human error, intentional bad acts, extreme weather, earthquakes, floods, fires, war or other military conflict, including the conflicts between Russia-Ukraine and Israel-Hamas, which may further escalate and could directly or indirectly involve other countries, including the United States, terrorist attacks, cybersecurity attacks or the risk of potential cybersecurity attacks, power losses, hardware failures, systems failures, telecommunications failures, and similar events, any of which could disrupt our service, destroy user content, or prevent us from being able to continuously back up or record changes in our users' content. For example, a third party vendor that operated one of our multiple data center locations, filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code in 2022. This bankruptcy matter was resolved without disruption

to our normal operations, but future bankruptcies or similar events affecting our third-party hosted data center providers could result in disruptions to our Company, access to customer data may become unavailable or customer data could be lost, and it may take a significant period of time to achieve full resumption of our cloud services. Also, in response to the Russian attack on Ukraine that began in February 2022, the United States and many other countries began imposing sanctions on Russia and certain parts of Ukraine, including restrictions on the import and export of goods and services to those regions. These restrictions have also been expanded to other countries, including Belarus. Although we do not have a significant number of customers located in those regions, such actions have had some immaterial impact on our business. It is difficult to predict how long the conflict may last, how the conflict could escalate, and how the sanctions may evolve, which could cause a greater adverse impact on our business and operations. While we maintain incident response plans that include defined processes, roles, communications, responsibilities and procedures for responding to cybersecurity incidents and other events that impact our operations, and such plans are tested and evaluated on a regular basis, our disaster recovery planning cannot account for all eventualities and even if we anticipate an incident, our disaster recovery plans may not be sufficient to timely and effectively address the issue. Moreover, our platform and technical infrastructure may not be adequately designed with sufficient reliability and redundancy to avoid delays or outages or other issues that could be harmful to our business. If our platform is unavailable when users attempt to access it, or if it does not perform as quickly as they expect, or if data is lost, users may not use our platform as often in the future, or at all.

***If we are unable to maintain our brand and reputation, our business, results of operations, and financial condition may be adversely affected.***

The successful promotion of our brand and our ability to maintain our reputation will depend on a number of factors, including our performance and the reliability of our cloud services; our advertising and marketing efforts, including our blog and social media presence, which have been important to building and maintaining our brand and reputation; our ability to continue to develop high-quality features and cloud services; and our ability to successfully differentiate our cloud services from competitive products and services. Our brand promotion activities may not be successful or yield increased revenue.

The promotion of our brand may require us to make substantial expenditures, particularly if our markets become more competitive and we expand into new markets or offer new products or services, or additional features. Expenditures intended to maintain and enhance our brand may not be cost-effective or effective at all. If we do not successfully maintain and enhance our brand, we may have reduced pricing power relative to our competitors, we could lose customers, we could fail to attract potential new customers or retain our existing customers, or our blog and thought leadership in our industry may decline in popularity, all of which could materially and adversely affect our business.

***If our information technology systems, including the data of our customers stored in our systems, are breached or subject to cybersecurity attacks, our reputation and business may be harmed.***

Our customers rely on our solutions to store their files, which may include confidential or personally identifiable information, critical business information, photos, and other meaningful content. To manage and maintain such data, we are highly dependent on internal and external information technology systems and infrastructure, including the internet, to securely process, transmit, and store critical information. Although we take measures to protect our systems and sensitive information from unauthorized access or disclosure, third parties may be able to circumvent our security by deploying viruses, worms, and other malicious software programs that are designed to attack or attempt to infiltrate our systems and networks, including distributed denial of service (DDoS) or phishing attacks, that can undermine the availability and performance of our systems and cloud services, resulting in the blocking of our services by ISPs or governments, fraudulently steal data, or otherwise cause damage to our reputation. For example, in December 2021, an industry-wide zero-day vulnerability was discovered in the Apache Log4j logging library commonly used by many companies throughout the world that could permit attackers to take control of vulnerable servers. Although we were not aware of any unauthorized access to our systems due to the Log4j vulnerability, out of an abundance of caution and because Log4j was leveraged widely in our environment, we decided it was in our customers' best interest to take our systems offline for a short period of time until we could apply the security patch. In addition, we regularly encounter attempts to create false or undesirable user accounts, which can disrupt our systems, impair system performance and impact analytics. Moreover, cybersecurity attacks evolve rapidly and are expected to continue to accelerate in both frequency and sophistication, and bad actors may utilize new methods not recognized because they are designed to circumvent controls, avoid detection, and remove or obfuscate forensic evidence. Although we have taken, and continue to take, various actions to prevent and mitigate potential cybersecurity attacks, it is very difficult to successfully identify, stop, or resolve such attacks, or implement adequate preventative measures and we will continue to incur costs in our efforts to protect against and respond to cyber-attacks and potential cyber-attacks. Also, the use of generative artificial intelligence, or other societal or political

developments resulting in periods of increased political tensions and military conflicts, could result in a greater likelihood of cybersecurity incidents that could either directly or indirectly impact our operations. In addition, employee or consultant error, malfeasance, or other errors in the storage, use, or transmission of customer data could result in a breach. For example, in late March 2021, it was discovered that a Backblaze marketing campaign leveraging the Facebook ad network, which had been launched two weeks earlier, had been incorrectly configured to run on all Backblaze platform pages instead of only the Backblaze marketing pages as intended. Once we became aware of the issue, it was promptly resolved. Although we believe that less than 2% of Backblaze customers may have been affected, and no actual customer files, file contents, or user account information were shared at any time, certain file metadata may have been inadvertently shared with Facebook. Even if a breach is detected, the full extent of the breach may not be determined immediately, or at all. While we maintain insurance coverage to mitigate the potential financial impact of these risks, our insurance may not cover all such events or may be insufficient to compensate us for potentially significant losses, including the potential damage to the future growth of our business, that may result from any such breach. In addition, our business utilizes information technology systems of our partners and vendors, who are also subject to similar cybersecurity risks that could adversely impact the security of our systems and business. Although we take steps to secure customer information that is provided to or accessible by our partners and vendors, such measures may not always be effective and we may have limited or no control over how cybersecurity attacks on our partners or vendors are addressed. An actual or perceived breach of our network security and systems or other cybersecurity-related events that cause the loss, theft or unauthorized disclosure of our customers' information, including any delay in determining the full extent of a potential breach, could have a material adverse impact on our business, results of operations, and financial condition, including harm to our reputation and brand, reduced demand for our solutions, time-consuming and expensive litigation, fines, penalties, and other damages.

***If we are unable to attract and retain customers on a cost-effective basis, our revenue and operating results would be adversely affected.***

We generate substantially all of our revenue from the sale of our cloud services either on a consumption or subscription model. To grow, we must continue to attract a large number of customers on a cost-effective basis. While there was no material impact on customer retention as of December 31, 2023, our recent price increase for Computer Backup and B2 Cloud Storage could make it more difficult to attract new customers and retain existing customers, or cause existing customers to reduce the amount of data that they store with us or subscriptions they purchase from us, thus negatively impacting our revenue and business. We have historically used, and plan to increase our use of, a variety of advertising and marketing programs to promote our cloud services. Our sales and marketing investments intended to accelerate the scaling of our business including any expansion of existing programs and new programs to promote our cloud services, may not be successful or provide a reasonable return on investment within a desired timeframe. Significant increases in the pricing of one or more of our advertising channels would increase our advertising and marketing costs or cause us to choose less expensive and perhaps less effective channels. We may also need to expand into channels with significantly higher costs, which could adversely affect our operating results. We may also incur advertising and marketing expenses significantly in advance of the time we anticipate recognizing any revenue generated by such expenses, and we may only at a later date, or never, experience an increase in revenue or brand awareness as a result of such expenditures. If we are unable to maintain effective advertising and marketing programs, our ability to attract new customers could be adversely affected, our advertising and marketing expenses could increase substantially, and our operating results may suffer.

A portion of our potential customers locate our website through search engines, such as Google, Bing, and Yahoo!. In 2023 we modernized our website to help improve the user experience and increase traffic through search engine optimization to accelerate lead generation, although such efforts may not be as successful as anticipated to increase web traffic and improve the user experience. Our ability to maintain the number of visitors directed to our website is not entirely within our control. If search engine companies modify their search algorithms in a manner that reduces the prominence of our listing, or if our competitors' search engine optimization efforts are more successful than ours, fewer potential customers may click through to our website. In addition, the cost of purchased listings has increased in the past and may increase in the future. A decrease in website traffic or an increase in promoted search result costs could adversely affect our customer acquisition efforts and our operating results. In addition, we also rely on our blog and word of mouth to drive additional customers. To the extent our blog does not continue to attract readers or if our reputation is harmed, these additional means of attracting customers may no longer provide significant numbers of customers in the future.

In addition, because we offer our Computer Backup cloud service at a fixed price, the amount of data our customers back up affects our costs and gross margins. Subject to certain limitations, we also offer free egress for our B2 Cloud Storage customers. To the extent current or future customers back up unusually large amounts of data, use an excessive amount of egress or growth in the amount of data backed up per customer outpaces decreases in storage costs, our costs and gross margins and infrastructure could be adversely affected.

***If we are unable to provide successful enhancements, new features, and modifications to our cloud services, our business could be adversely affected.***

Our industry is marked by rapid technological developments and new and enhanced applications and cloud services. If we are unable to provide enhancements and new features for our existing services or new services that achieve market acceptance or that keep pace with rapid technological developments, our business could be adversely affected. In addition, because our cloud services are designed to operate on a variety of systems, we will need to continuously modify and enhance our cloud services to keep pace with changes in internet-related hardware, operating systems, and other software, communication, browser, and database technologies, including the systems of our partners, vendors, and competitors. We also have limited internal resources and thus need to selectively prioritize features and other development and infrastructure projects, and de-prioritize other such projects. Although we seek to prioritize the projects that we believe are the most important and de-prioritize projects of lesser importance based on the information available to us at any given time, there is no guarantee that our prioritization efforts will achieve the desired market adoption or infrastructure improvements and we may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely fashion. In addition, any failure of our cloud services to operate effectively and on a timely basis with network platforms and technologies could reduce the demand for our cloud services, result in customer dissatisfaction and adversely affect our business. Furthermore, future enhancements, features or offerings may increase our research and development expenses and infrastructure costs, which could adversely impact our pricing advantage, undermine our ease of use, make it more difficult to attract and retain customers, and harm our results of operations.

***Material defects or errors in our software or hardware failures could negatively impact our business, harm our reputation, result in significant costs to us, and negatively impact our ability to sell our cloud services.***

The software underlying our cloud services is inherently complex and may contain material defects or errors, particularly when first introduced or when new versions or enhancements are released. We have from time to time found defects or errors in our cloud services, and new defects or errors in our existing solutions may be detected in the future by us, our customers or partners, or other third parties. The costs incurred in correcting such defects or errors may be substantial and could negatively impact our business. Backblaze employees could also introduce defects or errors through incompetence, malfeasance, or a mistake that would lead to data loss. For example, to the extent that the encryption keys for encrypted customer data stored by Backblaze were to be deleted or corrupted, the data could become unrecoverable. In addition, we rely on hardware purchased or leased and software licensed from third parties to offer our cloud services. Hardware is susceptible to failures over time and may require increased maintenance effort and costs. Any defects in, or unavailability of, our software or hardware failures that cause interruptions to the availability of our cloud services or that otherwise impact our business could, among other things:

- require us to issue refunds or credits to our customers or expose us to claims for damages,
- cause us to lose existing customers and make it more difficult to attract new customers,
- divert our development resources or require us to make extensive changes to our cloud services or software,
- harm our reputation and brand, and
- negatively impact our results of operations.

***If we fail to effectively manage our growth, our business would be harmed.***

We have recently experienced, and continue to experience, a period of rapid growth. For example, our headcount grew from 188 employees as of December 31, 2020, to 381 employees as of December 31, 2023. Also, in just the last two years the amount of storage deployed by us has increased significantly. The number of customers and customer requests on our network has also increased rapidly in recent years. Our growth may not be sustainable. In 2023, we initiated measures to reduce headcount to pursue greater cost efficiency and align strategic initiatives. These measures were completed during the first nine months of 2023. Nevertheless, in the long term, we expect to continue to expand our operations and to increase our headcount, network, and product offerings significantly. Our growth has placed, and future growth will continue to place, a significant strain on our management, corporate culture, quality of our cloud services, and administrative, operational, security, and financial infrastructure. Our headcount needs may also fluctuate on a quarterly and annual basis and we may seek, and have sought by way of the recent restructuring measures, to “right size” our



workforce from time to time due to changing business needs and other conditions, and it may be difficult to effectively manage our workforce on a timely basis in response to such changes. It is also important that we successfully leverage our existing employee base and any headcount growth, particularly as our business grows and the corresponding demands on our business increase. Our success will depend in part on our ability to manage this growth effectively, which will require that we, among other things, continue to improve our administrative, operational, financial, and management systems and controls. If we fail to manage our growth, the quality of our services may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract customers and employees.

***Our business could be materially harmed to the extent that we do not effectively manage our data center capacity and the costs associated with our data centers.***

We must continue to effectively manage our data center capacity, servers and equipment, and locations. The costs of building out and maintaining our data centers, including the purchase and leasing of equipment, constitute a significant portion of our capital and operating expenses. To manage our data center capacity and the associated capital expenditures, we continuously evaluate our short and long-term data center capacity requirements. However, because our customer retention and the amount of data that they store with us may increase, decline or fluctuate as a result of a number of factors, it is difficult to accurately predict our capacity needs over time. If we underestimate the data center capacity needed to address increases in volume usage, or there is not enough capacity at the data centers at commercially acceptable rates, or at all, we may be unable to increase our data center capacity in an expedient and cost-effective manner, which could result in materially adverse effects on our business and our results of operations. For example, if we are not able to obtain data center capacity on a timely basis, the ability for customers to upload or download data could be negatively impacted. As a result, we might be unable to attract new customers or retain existing customers and could cause existing customers to reduce the amount of data that they store with us. In such a scenario, we may also be required to enter into leases or other agreements for data centers, servers and other equipment that are more expensive than they otherwise would be. It can also take time to add data center capacity, whether at existing data center locations or new locations, and therefore, we may also not be able to expand our data center capacity to address customer needs on a timely basis. In addition, many of our data center sites are subject to multi-year leases. If our capacity needs are reduced, or if we decide to close a data center, we may nonetheless be committed to perform our obligations under the applicable leases including, among other things, paying the base rent for the balance of the lease term and continuing to pay for any servers or other equipment. If we overestimate our data center capacity requirements, and therefore secure excess data center capacity and servers or other equipment, then our capital expenditures could be materially increased and our operating margins could be materially reduced.

***Our business depends on our ability to retain and increase revenue from customers, and if we are unable to do so, our revenue and operating results would be adversely affected.***

It is important for our business that our customers continue to use, and even increase their use of, our cloud services. Many of our customers can terminate their use of our cloud services at will with little-to-no advance notice. Even though some of our customers enter into longer-term multi-year agreements, they generally have no obligation to renew their subscriptions or increase usage. Due to our varied customer base and lack of long-term customer and usage commitments, it can be difficult to accurately predict our customer retention rate on a quarterly basis or long-term basis. Our customer retention and the amount of data that they store with us may decline or fluctuate as a result of a number of factors, including potential customer dissatisfaction with our cloud services and offerings; pricing plans; our customers' own business conditions; customer decisions to delete unneeded or redundant data; the perception, whether or not accurate, that competitive products provide better options; changes in our brand or reputation; and overall general economic conditions. Our recent price increase for Computer Backup and B2 Cloud Storage could make it more difficult to attract new customers and retain existing customers, or cause existing customers to reduce the amount of data that they store with us or subscriptions they purchase from us. Our future financial performance also depends in part on our ability to continue to increase revenue from our customers through additional paid products, such as Enterprise Control and multi-region selection. Our customers' decision whether to opt for additional paid products is driven by a number of factors. If our customers do not perceive the value in such additional paid offerings, we may not realize the anticipated benefits of our investments in such additional features, and our financial results could be harmed. If we cannot successfully retain our existing customers and add new customers consistent with historical rates, including maintaining or growing the amount of data that our customers store with us, our revenue and ability to grow may be adversely affected.

***To the extent we target different types of customers, we may face increased demands and challenges that adversely impact our business and operations.***

Historically, most of our customers consisted of small-to-medium sized businesses and individuals. Our growth strategy is in part dependent upon attracting and retaining customers that are larger businesses and organizations. To the extent we target other types of customers or customers with different or specific needs, we may face greater demand for certain service enhancements or features that we do not currently offer, or additional performance, availability, durability, and security requirements. We may face increased competition from some of our competitors that typically target larger businesses and organizations and that may have pre-existing relationships or purchase commitments, that may have more experienced sales personnel or greater budgetary resources available to target larger customers, or that may be able to bundle other services with an offering that is competitive with ours. Certain types of customers may also have longer sales cycles, less predictability or higher volatility in the amount of data they store with us, increased pricing or negotiation leverage, and increased customer education and overall customer engagement needs. In addition, some customers may demand more customization, integration, and support services. Any of these factors could require us to devote greater sales, engineering, marketing, operations, and support services as well as make significant infrastructure changes, which could increase our costs, divert key resources from other current and prospective customers, and otherwise adversely affect our business and operating results. These increased demands and challenges may also be for the benefit of a limited number of customers. Moreover, we cannot assure you that any such efforts will be successful or justify the additional investments in a timely manner, or at all.

***The material stored using our cloud services may subject us to negative publicity, legal liability, and harm our business.***

We are not aware of the contents of the data that customers store using our cloud services. While we do have a detailed process to address any third-party complaint regarding illegal or other inappropriate use of our cloud services by a customer that would violate our terms of service, for security and privacy reasons we do not actively monitor the content of data that is being stored with us. To the extent that sensitive, personally identifiable, illegal, or controversial data is stored in our servers and that becomes known publicly, particularly given the highly volatile nature of the political landscape throughout the world and immediate access by individuals to social media platforms with a broad outreach, it may create negative publicity and adversely impact our reputation and harm our business.

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

Our quarterly results of operations may vary significantly in the future. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly results of operations may fluctuate as a result of a variety of factors, many of which are outside of our control, and as a result may not fully reflect the underlying performance of our business. Fluctuation in quarterly results may negatively impact the trading price of our Class A common stock. Factors that may cause fluctuations in our quarterly results of operations include, without limitation:

- our ability to attract new customers;
- the amount of customer churn;
- fluctuations in the amount of data customers store with us;
- the amount and timing of operating expenses and equipment purchases related to the maintenance and expansion of our business;
- interruptions or loss of service of our offerings;
- the timing and success of new product feature and service introductions by us or our competitors;
- our ability to retain and increase revenue from customers;
- changes in deferred revenue balances;
- changes in or timing of cash flows;
- changes in the competitive dynamics of our industry, including consolidation among competitors;



- security breaches of our systems;
- our involvement in litigation, or the threat thereof;
- the length of the sales cycle;
- outbreaks of war or other hostilities, such as the Russia-Ukraine and Israel-Hamas hostilities;
- inflation in the United States, which has recently hit a four decade high, and other regions;
- the impact of pandemics on our business or that of our customers and partners;
- the timing of expenses and receipt of perceived benefits related to any acquisitions;
- changes in laws and regulations that impact our business; and
- general economic and market conditions.

For example, in addition to the risks from sanctions and other restrictions discussed elsewhere in these Risk Factors in connection with the Russian attack on Ukraine that began in February 2022, in order to help the people of Ukraine facing a humanitarian crisis, while it is subject to change, we are currently waiving charges for our services for customers based in Ukraine. We are also unable to receive payments from customers in certain regions that are subject to banking or other credit card payment restrictions, including Russia and Belarus. Although we do not have a significant amount of customers located in these regions, such actions will have some impact on our business. The Russian-Ukraine conflict has also caused oil prices to rise and increased the risk of disruption to the supply chain for oil, and the Israel-Hamas conflict may cause similar effects, particularly if those tensions escalate into a wider Middle East conflict, which could result in higher energy costs for our business and data centers, which could negatively impact our results of operations. The hostilities in various places around the world could also escalate further and directly or indirectly involve other countries, including the United States, which could cause a greater impact on us and our customers, partners and supplies.

Further, as we continue to grow and scale our business to meet the needs of our customers, we may overestimate or underestimate our infrastructure capacity requirements, which could adversely affect our results of operations. The costs associated with leasing and maintaining our custom-built infrastructure in co-location facilities and third-party data centers already constitute a significant portion of our capital and operating expenses. We continuously evaluate our short and long-term infrastructure capacity requirements and seek to ensure adequate capacity for new and existing users while minimizing unnecessary excess capacity costs. However, we may not be able to sufficiently predict future demand, or the availability of hardware or infrastructure necessary to support increased demand on a timely basis. If we overestimate the demand for our platform and therefore secure excess infrastructure capacity or equipment, our gross margins could be reduced. If we underestimate our infrastructure capacity requirements or availability of necessary hardware or infrastructure, we may not be able to service the needs of new and existing customers; durability, reliability, and performance could suffer; our costs could rise; and our business could be harmed.

***We rely on the performance of key personnel, including our management and other key employees, and the loss of one or more of such personnel, or of a significant number of our team members, could harm our business.***

We believe our success has depended, and continues to depend, on the efforts and talents of senior management and other key personnel. Substantially all of our employees, including our senior management, are employed on an at-will basis. We cannot ensure that we will be able to retain the services of any member of our senior management or other key employees, particularly given that some of these employees may hold equity of the Company that is largely vested, or that we would be able to timely replace members of our senior management or other key employees should any of them depart. The loss of one or more members of our senior management or other key employees could harm our business.

***The failure to attract and retain additional qualified personnel could prevent us from executing our business strategy.***

To execute our business strategy, we must attract and retain highly qualified personnel. Competition for executive officers, software developers, sales personnel, operational personnel, and other key employees in our industry is intense. In particular, we compete with many other companies for software developers with high levels of experience in designing,

developing, and managing cloud-based software, as well as for skilled sales and operations professionals. In addition, we believe that the success of our business and corporate culture depends on employing a diverse workforce, and the competition for such personnel is significant. The market for such talented personnel is particularly competitive in the San Francisco Bay Area, where our headquarters is located. Many of the companies with which we compete for experienced personnel have greater resources than we do and can frequently offer such personnel substantially greater compensation than we can offer. In addition, in 2024 we implemented a new commission structure for our sales team. If our new sales commission program does not effectively incentivize our sales team at appropriate compensation levels, we may not be successful in retaining or hiring qualified sales personnel, obtaining new customers, increasing sales to our existing customer base, or effectively managing compensation levels. In addition, we may be unsuccessful at retaining our key employees, and it may take significant time for new employees to achieve full productivity, either of which would adversely impact our business, results of operations, and financial condition. If we fail to attract new personnel, including accomplished executive talent, or if we fail to retain and motivate our current personnel, our business would be harmed. In addition, if we are unable to hire new employees on a timely basis or reach productive levels in a short time frame, new growth initiatives and other projects may be delayed or otherwise disrupted, which could cause us to miss our performance goals and negatively impact our business.

***Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity, and teamwork fostered by our culture, and our business may be harmed.***

We have a culture that encourages employees to be open, collaborate, strive to do the right thing, and develop and launch new and innovative solutions, which we believe is essential to attracting customers and partners and serving the best, long-term interests of our company. As our business grows and becomes more complex, and now that we are a public company, it may become more difficult to maintain this cultural emphasis. Any failure to preserve our culture could negatively affect our ability to retain and recruit personnel, which is critical to our growth, and to effectively focus on and pursue our strategies. If we fail to maintain our company culture, our business and competitive position may be harmed.

***As we expand our operations outside the United States, we may be subject to increased business, regulatory and economic risks that could impact our results of operations.***

In 2023, we derived approximately 28% of our revenue from customers outside of the United States. We may also expand our international operations, which may include the establishment of foreign subsidiaries, the opening and expansion of data centers, hiring employees, building out technical infrastructure, and opening offices in foreign jurisdictions. Any new markets or countries into which we attempt to market and sell our cloud services may not be receptive. For example, we may be unable to expand further in some markets if we are unable to satisfy various government- and region-specific requirements. In addition, our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to the particular challenges and complexities of deploying infrastructure internationally and supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal and regulatory systems, alternative dispute systems, and commercial markets. International expansion has required, and will continue to require, investment of significant funds and other resources. Growth in our international operations will subject us to new risks and may increase risks that we currently face, including risks associated with:

- higher costs of doing business internationally, including increased energy, infrastructure, accounting, travel, and legal compliance costs;
- providing our platform, building out the necessary infrastructure and operating our business across a significant distance, in different languages and among different cultures, including the potential need to modify our platform and features to ensure that they are culturally appropriate and relevant in different countries;
- compliance with applicable international laws and regulations, including laws and regulations with respect to privacy, data protection, consumer protection, and unsolicited email, and the risk of penalties to our users and individual members of management or employees if our practices are deemed to be out of compliance, and additional laws and regulations in the United States that are applicable to international operations;
- recruiting and retaining talented and capable employees outside the United States, and maintaining our company culture across all of our offices;

- management of an employee base in jurisdictions that may not give us the same employment and retention flexibility as does the United States;
- operating in jurisdictions that do not protect intellectual property rights to the same extent as does the United States;
- compliance by us and our business partners with anti-corruption laws, anti-bribery, anti-money laundering, and similar laws; import and export control laws; tariffs and trade barriers; economic sanctions; and other regulatory limitations on our ability to provide our cloud services in international markets;
- foreign exchange controls that might require significant lead time in setting up operations in certain geographic territories;
- restrictions that might prevent us from repatriating cash earned outside the United States;
- increased tax complexity, including being subject to regular review and audit by both United States federal and state and foreign tax authorities;
- taxing authorities of the United States or foreign jurisdictions in which we operate may challenge our methodologies for valuing intercompany arrangements;
- double taxation of our international earnings and potentially adverse tax consequences due to changes in the income and other tax laws of the United States or the international jurisdictions in which we operate; and
- political and economic instability in various jurisdictions.

Expanding our international operations and complying with applicable laws and regulations may substantially increase our cost of doing business in international jurisdictions. We may also be unable to keep current with changes in laws and regulations as they develop, and we or our employees, contractors, partners, and agents may fail to maintain compliance with applicable laws and regulations. Any violations could result in enforcement actions, fines, civil and criminal penalties, damages, injunctions, or reputational harm. If we are unable to comply with these laws and regulations or manage the complexity of our global operations successfully, our business, results of operations, and financial condition could be adversely affected.

***We store personal information and other customer data, which subjects us to various data privacy laws, governmental regulations, and other related legal obligations, and any actual or perceived failure to comply with such requirements could harm our business.***

We store personal information and other customer data, as well as use certain cookies on our website, that are subject to numerous federal, state, local, and foreign laws regarding privacy and the storing and protection of personal information and other customer data, and disclosure requirements regarding the use and certain breaches of such laws. For example, we are subject to the General Data Protection Regulation (GDPR), the California Consumer Privacy Act (CCPA) and the California Privacy Rights Act of 2020 (CPRA), among other laws and regulations around the world. Other comprehensive data privacy or data protection laws or regulations requiring local data residency and/or restricting the international transfer of data have been passed or are under consideration in other jurisdictions. In addition, some industries have industry-specific requirements relating to compliance with certain security and regulatory standards, such as those required by the Health Insurance Portability and Accountability Act (HIPAA). For example, HIPAA imposes privacy, security, and breach reporting obligations with respect to individually identifiable health information upon “covered entities” (e.g., health plans, health care clearinghouses, and certain health care providers), and their respective business associates, individuals, or entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. Such laws give rise to an increasingly complex set of compliance obligations on us regarding our ability to gather, use, and store customer data and customer account data.

These privacy and data protection laws are subject to rapid change and differing interpretations, may require limited timeframes to implement changes, and can be inconsistent among regulatory frameworks or conflict with other rules or our business practices. We strive to comply with all applicable laws, policies, legal obligations, and industry codes of conduct relating to privacy and data protection to the extent possible. Our efforts to comply with the complex matrix of data privacy

laws around the world subjects us to increasing costs to review and comply with such laws, including updating our policies, procedures, and business practices to address such evolving privacy laws. We also make public statements and commitments regarding our use and disclosure of personal information through our privacy policy, information provided on our website, and data processing agreements with customers and other third parties. Because the interpretation and application of data protection laws, regulations, standards, and other obligations are often uncertain and in flux, and sometimes contradictory, it is possible that the scope and requirements of these laws and other obligations may be interpreted and applied in a manner that is inconsistent with our practices, and our efforts to comply with rapidly evolving data protection laws and obligations may be unsuccessful. For example, we previously relied on the EU-US Privacy Shield framework, which was invalidated by a European court in July 2020. As a result of such a decision, we have had to take additional steps to comply with applicable EU data protection requirements, including implementation of standard contractual clauses.

Any failure, or perceived failure, by us to comply with applicable privacy and security laws, policies, or related contractual obligations, or any compromise of security that results in unauthorized access, or the use or transmission of personal information or other customer data, could result in a variety of claims against us, including governmental enforcement actions and investigations, audits, inquiries, whistleblower complaints, class action privacy litigation in certain jurisdictions, and proceedings by data protection authorities. For example, under the GDPR we may be subject to fines of up to €20 million or up to 4% of the total worldwide annual group turnover of the preceding financial year, as well as potentially face claims from individuals. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action may increase the likelihood of, and risks associated with, data breach litigation. The CPRA added new requirements and consumer privacy rights as well as the creation of the California Privacy Protection Agency as a dedicated agency to implement and enforce California state privacy laws, investigate violations and assess penalties. Any new or currently applicable privacy and security laws, policies, or related contractual obligations may be enacted, adopted, or modified, the result of which may impact our compliance efforts, especially when certain emerging privacy laws are still subject to a high degree of uncertainty as to their interpretation, application and impact. Any non-compliance with data privacy requirements could subject us to significant fines and penalties, adverse media coverage, reputational damage, the loss of current and potential customers, loss of export privileges, or criminal or other civil sanctions, any of which could materially adversely affect our business and financial condition.

***Our business is substantially dependent on mid-market organizations, which may be more vulnerable to market fluctuations and other economic factors, and their vulnerability to such factors could negatively impact our business.***

If we are unable to successfully market and sell our cloud services to mid-market organizations, our ability to grow our revenue and achieve profitability will be harmed. We expect it will be more difficult and expensive to attract and retain mid-market organization customers than other customers because mid-market organizations are more frequently forced to curtail or cease operations due to the sale or failure of their business; can be more difficult to identify and may require more expensive, targeted sales campaigns; and generally have lesser amounts of data to store than larger organizations, thus requiring us to successfully sell to and support more mid-market organizations for meaningful revenue impact. In addition, mid-market organizations frequently have limited budgets and are more likely to be significantly affected by economic downturns than larger, more established companies. For example, recent high inflation and recession concerns in the United States could have a greater adverse impact on mid-market organizations. As a result, mid-market organizations may choose to spend funds on items other than our cloud services, particularly during difficult economic times. If we do not achieve continued success among mid-market organizations, our business, operating results, and future growth would be adversely affected.

***We are dependent on a small number of service offerings, and any reduced market adoption of these offerings would result in lower revenue and harm our business.***

As a specialized cloud vendor, we are dependent on a small number of offerings focused on cloud storage and computer backup, and a limited number of corresponding use cases. Our B2 Cloud Storage and Computer Backup offerings have accounted for substantially all of our total revenue to date and we anticipate that they will continue to do so for the foreseeable future. As a result, our revenue could be reduced as a result of any general or industry decline in demand for cloud-based storage solutions, particularly given that we would not have meaningful revenue from other market sectors to offset any temporary or longer-term downturn in demand for cloud-based storage solutions.

***Adverse economic conditions may adversely impact our revenue and profitability.***

Our operations and financial performance depend in part on worldwide economic conditions and the impact these conditions have on levels of spending on cloud storage solutions. Our business depends on the overall demand for these products and on the economic health and general willingness of our current and prospective customers to purchase our cloud services. Some of our paying customers may view use of cloud storage services as a discretionary purchase and may reduce their discretionary spending on our cloud services during an economic downturn. Weak economic conditions, whether due to the banking and financial crises, a return of pandemic conditions, inflation, uncertainty relating to the hostilities with Russia-Ukraine and Israel-Hamas, and the potential escalation of geopolitical tensions that could also directly or indirectly involve other countries, including the United States, could cause a reduction in spending on products and solutions storage. Inflation has increased significantly over levels from the last few years in the United States amid a slowing economy and there are numerous indicators suggesting a potential economic recession in the United States and other regions of the world. Any such conditions could reduce sales, lengthen sales cycles, increase customer churn, and lower demand for our cloud services, which could adversely affect our business, results of operations, and financial condition. We also have been, and may in the future be, subject to increased energy costs, particularly with respect to our data center operations in Europe and elsewhere, which could adversely affect our expenses and business.

***Our ability to maintain customer adoption and satisfaction depends in part on the ease of use of our cloud services, and any such failure could have an adverse effect on our business.***

Our success in retaining existing customers and obtaining new customers is dependent in part on the ease of use of our cloud services. If our platform and cloud services, including new service offerings and features as they become available, become more complicated and less easy-to-use, customers could experience increased difficulties or disruption with storing or accessing their data, and we may lose existing customers or experience increased challenges obtaining new customers or existing customers may not choose to use additional features of our cloud services. In addition, our customers sometimes depend on our technical support services to resolve issues relating to our platform. If we do not succeed in helping our customers quickly resolve issues or provide effective ongoing education related to our platform, our reputation and business may be harmed.

***Future acquisitions and investments could disrupt our business and harm our financial condition and operating results.***

Our success will depend, in part, on our ability to grow our business in response to changing technologies, customer demands, and competitive pressures. In some circumstances, we may choose to do so through the acquisition of complementary businesses and technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and we may be unable to successfully complete proposed acquisitions. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- coordination of research and development, operational, and sales and marketing functions;
- retention of key 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;
- the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures, and policies;
- liability for activities of the acquired company prior to our acquisition of them, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities, and other known and unknown liabilities;
- unanticipated write-offs or charges; and

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

Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, incremental operating expenses, or the write-off of goodwill, any of which could harm our financial condition or operating results.

***We may require additional capital to support our operations or the growth of our business, and we cannot be certain that this capital will be available on reasonable terms when required, or at all.***

We may need additional financing to operate or grow our business. Our ability to obtain additional financing, if and when required, will depend on investor and lender demand, our operating performance, the condition of the capital markets, and other factors. For example, we often use leases to finance the equipment we use to provide our cloud-based services, and we have a revolving credit agreement with City National Bank. In addition, the stock market has recently experienced significant volatility, including with respect to technology stocks, due to high inflation, various economic headwinds and other factors. In the event of a failure of any financial institutions where we maintain deposits, we may lose timely access to our funds at such institutions and incur significant losses to the extent our funds exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation. In addition, we use City National Bank, a subsidiary of RBC, for our banking needs. While we and our bank have not been directly affected by the failures of certain banks, the banking industry overall has experienced disruption, greater uncertainty, and tightened lending standards. This may result in reduced access to capital, increased costs of capital, and reduced opportunities to invest with investment grade securities, which could also lower investment yields and investment income. Any such impact could have a material adverse effect upon our liquidity and business. Without additional access to this kind of capital on commercially reasonable terms, or at all, we may not be able to respond to increased demand for our cloud services on a timely or cost-effective basis. We cannot guarantee that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked, or debt securities, those securities may have rights, preferences, or privileges senior to the rights of our Class A common stock, and our existing stockholders may experience dilution. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support the operation or growth of our business could be significantly impaired and our operating results may be harmed.

***We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our Class A common stock less attractive to investors.***

We are an emerging growth company, 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: not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the Sarbanes Oxley Act), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this accommodation allowing for delayed adoption of new or revised accounting standards, and therefore, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. We could be an emerging growth company for up to five years following the completion of our IPO or until we reach certain thresholds. Investors may find our Class A common stock less attractive due to our election to rely on these exemptions and there may be a less active trading market for our Class A common stock and the market price of our Class A common stock may be more volatile.

***We are exposed to fluctuations in currency exchange rates, which could negatively affect our results of operations.***

All of our sales contracts, and substantially all of our operations and related financial arrangements, are currently denominated in U.S. dollars and therefore, our revenue and business operations are not directly subject to significant foreign currency risk. However, a strengthening of the U.S. dollar could increase the real cost of our cloud services to our customers outside of the United States, which could reduce demand for our cloud services and adversely affect our financial condition and results of operations. In addition, as we expand our international operations, we may become more exposed to foreign currency risk and may have some of our sales and other operations denominated in one or more currencies other than the U.S. dollar. If we become more exposed to currency fluctuations and are unable to successfully



hedge against the risks associated with currency fluctuations, our results of operations could be materially and adversely affected.

***Certain of our market opportunity estimates, growth forecasts, and other metrics included in this Annual Report on Form 10-K could prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.***

Certain estimates and information contained in this Annual Report on Form 10-K, including general expectations concerning our industry and the market in which we operate, market opportunity, and market size, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. Moreover, much of this information is based on information provided by third-party providers. Although we believe the information from such third-party sources is reliable, we have not independently verified the accuracy or completeness of the data contained in such third-party sources or the methodologies for collecting such data, and such information may also not prove to be accurate. If there are any limitations or errors with respect to such data or methodologies, our business opportunities may be limited, which could negatively affect our shares of Class A common stock. Even if the markets in which we compete meet the size estimates and growth forecasted in this Annual Report on Form 10-K, our business could fail to grow at similar rates, if at all.

***Any future litigation against us could be costly and time-consuming to defend.***

We may become subject to legal proceedings, investigations, and claims that arise in the ordinary course of business. For example, we may be subject to claims brought by customers, vendors or other third parties in connection with various types of disputes, including relating to commercial or contract matters, violation of securities laws, intellectual property laws or other laws, or privacy or other data breaches, or employment claims made by our current or former employees. Litigation can often be expensive, even when there is a successful outcome, and can divert management's attention and resources, which could harm our business and financial condition. Any adverse outcome could also result in significant monetary damages or other types of unfavorable relief, which could harm our business as well as our reputation. Although we may have various insurance policies, insurance might not cover such claims or provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us, including premium increases or the imposition of large deductible or co-insurance requirements. In addition, we may also be subject to subpoena requests from third parties as well as governmental agencies from time to time that require us to provide certain information relating to matters targeted against other third parties, which can be time consuming.

#### **Infrastructure and Third Parties**

***We rely on third-party vendors and suppliers, including data center and hard drive providers, which may have limited sources of supply, and this reliance exposes us to potential supply and service disruptions that could harm our business.***

We depend on a limited number of third-party data centers and other providers to safely house our equipment and provide sufficient power, bandwidth, and other infrastructure needs to support our operations and cloud services. To support our anticipated growth and as we develop and implement new product features we may require more computing infrastructure, which may include the opening and expansion of data centers. The risks we face in connection with the opening and expansion of data centers include:

- we may not be able to find suitable third-party data center locations with sufficient power, or bandwidth, or such data center locations may not be available on commercially reasonable terms;
- we will be required to commit substantial operational and financial resources to open new data centers, and we may not have sufficient customer demand in those markets to support the new data centers;
- unanticipated delays in the completion of such projects or availability of components may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of quality of our service;
- issues that are not identified during the testing phases of design and implementation, which may only become evident after we have started to fully utilize the underlying equipment, could disrupt the delivery of our cloud services to customers or increase our costs; and
- unanticipated technological changes could affect customer requirements for data centers, and we may not have

built such requirements into our new data centers.

We also rely on key components for our platform, including hard drives and semiconductors, which come from limited sources of supply. For example, the 2011 Thailand floods decreased hard drive supply globally due to related manufacturing stoppages. A similar decrease in hard drive availability could negatively impact our operations. Various events, including a pandemic or fluctuating demands in the cryptocurrency mining markets have impacted, and could impact in the future, our ability to source components in a timely and cost-effective manner from third-party suppliers. For example, for a limited period of time starting in April 2020, we acquired additional hard drives and related infrastructure through finance lease agreements in order to minimize the impact of potential supply chain disruptions due to the COVID-19 pandemic. The additional leased hard drives resulted in a higher balance of capital equipment and related lease liability, an increase in cash used in financing activities from principal payments, as well as a higher ongoing interest and depreciation expense related to these lease agreements. The semiconductor industry also experienced a global chip shortage due to the COVID-19 pandemic and various other factors. Current or future supply chain interruptions that could be exacerbated by global political tensions, such as the Russia-Ukraine and Israel-Hamas hostilities, or tensions between Taiwan and China, particularly if those tensions escalate into an armed conflict or directly or indirectly involve other countries, including the United States, that could disrupt the global supply chain and result in the implementation of trade barriers, including boycotts or the use of economic sanctions and export control restrictions, any of which could negatively impact our ability to acquire hard drives and semiconductors. In addition, our business could be harmed in the event of any industry consolidations, acquisitions or other restructuring events. For example, in September 2023, Toshiba Corp., one of our hard drive suppliers, announced the completion of a buy-out by various private equity firms and others. Also, in October 2023, Western Digital, another one of our hard drive suppliers, announced that it would spin-out its hard drive and other selected businesses into a separate company. Although the Toshiba buyout and Western Digital spin-out have not resulted in any material impact to our business to date, such industry consolidations, acquisitions or other restructuring events of third party vendors or partners may increase the likelihood of changes at such vendors and partners that could adversely affect our business. Any shortage of key components, including hard drives, could materially and adversely affect our ability to provide our cloud services, as well as negatively impact our financial results by increasing our costs, lease liabilities, interest and depreciation expenses, and inventory levels. Shortages or pricing fluctuations could be material in the future. In the event of a shortage, supply interruption, material pricing change or other significant events involving one of our suppliers, we may be unable to develop alternate sources in a timely manner or at all. For example, a third party vendor that operated one of our multiple data center locations filed for bankruptcy under Chapter 11 under the United States Bankruptcy Code in 2022. This bankruptcy matter was resolved without disruption to normal operations, but future bankruptcies or similar actions affecting our third-party hosted data center providers could result in disruptions to the company, and access to customer data may become unavailable or customer data could be lost, and it may take a significant period of time to achieve full resumption of our cloud services. Developing alternate sources of supply for these infrastructure needs, and transitioning our customers' data from one provider to another, may result in loss of availability of our services for a period of time, be time-consuming, costly, difficult, and increase the risk of damage and loss. We may also be unable to source them on terms that are acceptable to us, or at all, which may undermine our ability to operate or scale our platform and harm our business.

***Our business depends, in part, on the success of our strategic relationships with third parties.***

To maintain and grow our business, we anticipate that we will continue to depend on relationships with third parties, such as channel partners and integrators, which are becoming an increasingly important part of our business and our sales and marketing strategy. Identifying partners and negotiating and building relationships with them requires significant time and resources. Our competitors may be effective in providing incentives to third parties to favor their services over us. In addition, any industry consolidation of such partners or integrators by our competitors or others could result in a decrease in the number of our current and potential customers, as these partners or integrators may no longer facilitate the adoption of our applications by potential customers. Interoperability between our platform and other third-party platforms is also important to our business. Further, some of our partners or integrators are or may become competitive with certain aspects of our cloud services and may elect to no longer integrate with, or support, our platform and cloud services. If we are unsuccessful in establishing or maintaining our relationships with such third parties and maintaining interoperability, our ability to compete in the marketplace or to grow our revenue could be impaired, and our business may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our cloud services or increased revenue.



***Our business is exposed to risks associated with online payment processing methods.***

Many of our customers pay for our cloud services and products using credit cards. We rely on internal systems as well as those of third parties, including Stripe, to process payments. Acceptance and processing of these payment methods are subject to certain rules and regulations and require payment of interchange and other fees. To the extent there are increases in payment processing fees, material changes in the payment ecosystem, such as large re-issuances of payment cards, delays in receiving payments from payment processors, changes to rules or regulations concerning payment processing, loss of payment partners, and/or disruptions or failures in our payment processing systems or payment products, including products we use to update payment information, our revenue, operating expenses, and results of operation could be adversely impacted. For example, in response to the Russian attack on Ukraine that began in February 2022, the United States and many other countries began imposing sanctions on Russia and certain other regions, including goods and services imported and exported to Russia and certain other regions. In addition, various banking institutions and companies, including Stripe and credit card companies, began prohibiting any payments from persons located in Russia, which impacts our ability to receive payments from, and transact certain types of business operations with, our customers, and potential new customers, that are located in those regions. Although we do not have a significant number of customers located in those regions, such actions will have some impact on our business. It is also difficult to predict how long the conflict may last, how the conflict could escalate, and how the sanctions may evolve, which could cause a greater adverse impact on our business and operations than we expect.

***We rely on third-party software for certain essential financial and operational services, and a failure or disruption in these services could materially and adversely affect our ability to manage our business effectively.***

We rely on third-party software to provide many essential financial and operational services to support our business, including HubSpot, NetSuite, PagerDuty, and Zendesk. Some of these vendors are less established and have shorter operating histories than traditional software vendors. Moreover, many of these vendors provide their services to us via a cloud-based model instead of software that is installed on our premises. As a result, we depend upon these vendors to provide us with services that are always available and are free of errors or defects that could cause disruptions in our business processes. Any failure by these vendors to do so, or any disruption in our ability to access the internet, would materially and adversely affect our ability to manage our operations, disrupt the delivery of our cloud services to customers, and affect other areas such as our ability to timely provide required financial reporting.

***We are a smaller reporting company, and any decision on our part to comply only with reduced reporting and disclosure requirements applicable to such companies could make our ordinary shares less attractive to investors.***

As of June 30, 2023, we qualified as a “smaller reporting company,” as defined in the Exchange Act. For as long as we continue to be a smaller reporting company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies that are not smaller reporting companies, including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and only being required to provide two years of audited financial statements in annual reports.

We will remain a smaller reporting company so long as, as of June 30 of the preceding year, (i) the market value of our ordinary shares held by non-affiliates, or our public float, is less than \$250.0 million; or (ii) we have annual revenues less than \$100.0 million and either we have no public float or our public float is less than \$700.0 million.

If we take advantage of some or all of the reduced disclosure requirements available to smaller reporting companies, investors may find our Class A common stock less attractive, which may result in a less active trading market for our Class A common stock and greater stock price volatility. For example, for so long as we are a smaller reporting company and not classified as an “accelerated filer” or “large accelerated filer” pursuant to SEC rules, we will be exempt from the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act.

## Risks Related to Accounting and Tax Matters

***We have identified material weaknesses in our internal controls over financial reporting, and the failure to achieve and maintain effective internal controls over financial reporting could harm our business and negatively impact the value of our Class A common stock.***

We have identified material weaknesses in our internal controls over financial reporting, and if we are not able to effectively remediate our material weaknesses or are otherwise unable to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or timely file our periodic reports. As a result, investors may lose confidence in the accuracy and completeness of our financial reports, and the market price of our Class A common stock may be materially impacted.

As of December 31, 2023, we had three unremediated material weaknesses, specifically related to control activities, as follows:

- i. our controls were not operating effectively to allow sufficient and timely review of significant accounting transactions, account reconciliations and presentation of the statement of cash flows;
- ii. our controls over certain equity transactions were not operating effectively to allow management to timely identify errors related to the recording of those transactions; specifically, we did not have sufficient technical resources to appropriately identify errors in the accounting for equity awards, resulting in misstatements relating to completeness and accuracy of stock-based compensation; and
- iii. our controls were not adequately designed and operating effectively to allow sufficient and timely review of the key assumptions and mathematical accuracy of our going concern assessment.

We have dedicated significant effort and resources towards measures to remediate the identified material weaknesses. We are in the process of designing and implementing internal controls intended to address our remaining material weaknesses, and are also testing the operating effectiveness of these controls. The remaining material weaknesses cannot be considered fully remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

We cannot assure you that the measures we have taken to date will be sufficient to remediate the remaining material weaknesses we identified or prevent additional material weaknesses in the future. Although we plan to complete this remediation, if the steps we take do not remediate these material weaknesses in a timely or sufficient manner, there could continue to be a reasonable possibility that these control deficiencies could result in a material misstatement of our annual or interim financial statements that would not be prevented or detected on a timely basis.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal controls over financial reporting until after we are no longer an “emerging growth company” as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal controls over financial reporting is documented, designed, or operating. Any failure to maintain effective disclosure controls and internal controls over financial reporting could materially and adversely affect our business, results of operations, and financial condition and could cause a decline in the trading price of our Class A common stock.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, we may be unable to produce timely and accurate financial statements or comply with applicable regulations, which could negatively impact the price of our Class A common stock.***

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), the Sarbanes-Oxley Act, and the rules and regulations of the Nasdaq Global Market. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures and internal controls over financial reporting and expect that we will need to continue to expend significant resources, including accounting-related costs, and significant management oversight, to meet such requirements. However, our current controls and any new controls that we develop may not be adequate, and weaknesses in our disclosure controls

may be discovered in the future. Additionally, we have identified material weaknesses in our internal controls over financial reporting, and such weaknesses may be discovered in the future. See “—We have identified material weaknesses in our internal controls over financial reporting, and the failure to achieve and maintain effective internal controls over financial reporting could harm our business and negatively impact the value of our Class A common stock.” Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal controls over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal controls over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal controls over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock.

***Because we recognize revenue from our subscription services over the term of the subscription, downturns or upturns in new business may not be immediately reflected in our operating results.***

We generally recognize revenue from customers of our subscription agreements related to data backup services ratably over the terms of their subscription agreements, a majority of which are one or two-year agreements. Accordingly, the corresponding revenue we report in each quarter from such arrangements is the result of subscription agreements entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may only be partially reflected in our revenue results for that quarter. However, any such decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our cloud services, and potential changes in our retention rate may not be fully reflected in our operating results until future periods. This subscription model also makes it difficult for us to rapidly increase our revenue through additional subscription sales in any period as part of new growth initiatives or otherwise, as revenue from new customers must be recognized over the applicable subscription term.

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

We collect sales and value-added tax in connection with our cloud services in a number of jurisdictions. One or more states or countries may seek to impose incremental or new sales, use, or other tax collection obligations on us, including for past sales by us or our resellers and other partners. Online sellers can be required to collect sales and use tax despite not having a physical presence in the buyer’s state. A successful assertion by a state, country, or other jurisdiction that we should have been or should be collecting additional sales, use, or other taxes on our cloud services could, among other things, result in substantial tax liabilities for past sales, create significant administrative burdens for us, discourage users from purchasing our platform, or otherwise harm our business, results of operations, and financial condition.

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

As of December 31, 2023 we had net operating loss carryforwards for U.S. federal income tax purposes of \$91.4 million available to offset future U.S. federal taxable income. Also, as of December 31, 2023, we had net operating loss carryforwards for state income tax purposes of \$66.0 million available to offset future state taxable income. If not utilized, the federal and state tax credit carryforwards will begin to expire in 2027.

Utilization of our net operating loss carryforwards and other tax attributes, such as research and development tax credits, may be subject to annual limitations, or could be subject to other limitations on utilization or benefit due to the ownership change limitations provided by Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the Code), and other similar provisions. Under Sections 382 and 383 of the Code, if a corporation undergoes an “ownership change,” our ability to use pre-change net operating loss carryforwards and other pre-change attributes, such as research tax credits, to offset post-change income may be limited. Similar rules may apply under state tax laws. We have performed a Section 382 analysis through December 31, 2022. At this time, we have not finalized a study through December 31, 2023 to assess whether such an ownership change has occurred, or whether there have been multiple ownership changes since our formation. We may experience ownership changes in the future as a result of subsequent changes in our stock ownership, some of which may be outside our control. Accordingly, our ability to utilize the aforementioned carryforwards may be limited.

***Changes in tax laws could materially affect our financial condition, results of operations and cash flows.***

On August 16, 2022, the Inflation Reduction Act of 2022 (the IRA) was signed into law. The IRA contains certain tax measures, including a corporate alternative minimum tax of 15% on global adjusted financial statement income, effective for tax years beginning after December 31, 2022, and a 1% excise tax on certain share repurchases, occurring after December 31, 2022. We do not currently expect that the IRA will have a material impact on our income tax liability. We are unable to predict what changes to the tax laws of the U.S. and other jurisdictions may be proposed or enacted in the future or what effect such changes would have on our business. Any significant increase in our future effective tax rate could have a material adverse impact on our business, financial condition, results of operations, or cash flows.

The rules dealing with U.S. federal, state and local income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect us or holders of our common stock. For example, under Section 174 of the Code, in taxable years beginning after December 31, 2021, expenses that are incurred for research and development in the U.S. will be capitalized and amortized, which may have an adverse effect on our cash flow. In recent years, many such changes have been made, and changes are likely to continue to occur in the future. It cannot be predicted whether, when, in what form or with what effective dates tax laws, regulations and rulings may be enacted, promulgated or issued, which could result in an increase in our or our shareholders' tax liability or require changes in the manner in which we operate in order to minimize or mitigate any adverse effects of changes in tax law.

***If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.***

The preparation of consolidated financial statements in conformity with United States Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes appearing elsewhere in this Annual Report on Form 10-K. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates and assumptions involve those related to costs to be capitalized as internal-use software, which include determining whether projects will result in new or additional functionality and those related to the valuation of our Employee Stock Purchase Plan ("ESPP") expense. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions.

**Risks Related to Intellectual Property*****Assertions by a third party that our cloud services infringe, misappropriate, or otherwise violate their intellectual property could subject us to costly and time-consuming litigation and adversely impact our business.***

There is frequent litigation in the software and technology industries based on allegations of infringement, misappropriation, or other violations of intellectual property rights. Some software and technology companies, including some of our competitors, as well as non-practicing entities, own patents, trademarks, copyrights and other intellectual property rights that they may use to assert claims against us. In our case, third parties have asserted, and may in the future assert, that we have infringed, misappropriated, or otherwise violated their patents or other intellectual property rights. For example, we have faced patent infringement claims from other non-practicing entities in the past. There may be intellectual property rights held by others, including issued or pending patents, that cover significant aspects of our technologies or solutions, and we cannot assure you that we are not infringing, misappropriating, or violating, and have not infringed, misappropriated, or violated, any third-party intellectual property rights or that we will not be held to have done so or be accused of doing so in the future. In addition, as we face increasing competition and become increasingly visible as a publicly-traded company, or if we become more successful, the possibility of new third-party claims may increase.

Any claim that we have violated intellectual property or other proprietary rights of third parties, with or without merit, could be time-consuming and costly to address and resolve, could divert the time and attention of management and technical personnel from our business, could place limitations on our ability to use our current websites and technologies, and could result in an inability to market or provide all or a portion of our cloud services. Furthermore, we could be required to pay substantial monetary damages, including treble damages and attorneys' fees if we are found to have

willfully infringed a party's intellectual property rights. We may also be required to enter into a royalty or licensing agreement that could include significant upfront and future licensing fees or expend significant resources to redesign our technologies or solutions, which efforts may not be timely or prove successful at all and require us to indemnify customers or other third parties. Royalty or licensing agreements may be unavailable on terms acceptable to us, or at all. If we cannot develop or license technology for any allegedly infringing aspect of our business, we could be forced to limit our cloud services and may be unable to compete effectively. Any of these events could have a material adverse effect on our business.

***If we are unable to adequately establish, maintain, protect, and enforce our intellectual property and proprietary rights, our reputation may be harmed, we may be subject to litigation, and our business may be adversely affected.***

Our future success and competitive position depend in large part on our ability to establish, maintain, protect, and enforce our intellectual property and proprietary rights. We do not own any issued patents and rely on a combination of trademark, copyright, and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, all of which provide only limited protection and may not now or in the future provide us with a competitive advantage. The steps we have taken and will take may not prevent unauthorized use, reverse engineering, or misappropriation of our technologies and we may be unable to detect any of the foregoing. Furthermore, effective trademark, copyright, and trade secret protection may not be available in every country in which our cloud services are available. Our lack of patent protection may restrict our ability to protect our technologies and processes from competition. Defending and enforcing our intellectual property rights may result in litigation, which can be costly and divert management attention and resources. If our efforts to protect our technologies and intellectual property are inadequate, the value of our brand and other intangible assets may be diminished and competitors may be able to mimic our cloud services. Any of these events could have a material adverse effect on our business.

With respect to our technology platform, we consider trade secrets and know-how to be one of our primary sources of intellectual property. However, trade secrets and know-how can be difficult to protect. The use of generative artificial intelligence tools could also expose us to inadvertently disclosing trade secrets or other confidential information or inadvertently cause us to violate third party intellectual property rights. We seek to protect these trade secrets and other proprietary technology, in part, by internal controls and policies as well as entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, outside contractors, consultants, advisors, and other third parties. We also enter into confidentiality and invention assignment agreements with our employees and consultants. The confidentiality agreements are designed to protect our proprietary information and, in the case of agreements or clauses containing invention assignment, to grant us ownership of technologies that are developed through a relationship with employees or third parties. We cannot guarantee that we have entered into such agreements with each party that may have or has had access to our trade secrets or proprietary information, including our technology and processes. Despite these efforts, no assurance can be given that the confidentiality agreements we enter into or our other internal controls and policies will be effective in controlling access to such proprietary information and trade secrets. The confidentiality agreements on which we rely to protect certain technologies may be breached, and these and other actions that we take may not be adequate to protect our confidential information, trade secrets, and proprietary technologies and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, trade secrets or proprietary technology. Further, these actions do not prevent our competitors or others from independently developing the same or similar technologies and processes, which may allow them to provide a service similar or superior to ours, which could harm our competitive position.

***Our use of "open-source" software could negatively affect our ability to sell our cloud services and subject us to possible litigation.***

A portion of the technologies used by us incorporates "open-source" software, and we may incorporate open-source software in the future. Such open-source software is generally licensed by its authors or other third parties under open-source licenses. Companies that incorporate open-source software into their solutions have, from time to time, faced claims challenging the use of open-source software and compliance with open-source license terms. These licenses may subject us to certain unfavorable conditions, including requirements that we offer all or parts of our technology or services that incorporate the open-source software at no cost, that we make publicly available source code for modifications or derivative works we create based upon, incorporating, or using the open-source software, and/or that we license such modifications or derivative works under the terms of the particular open-source licensor other license granting third parties certain rights of further use. Although we monitor our use of open-source software, we cannot assure you that all open-source software is reviewed prior to use in our cloud services, that our developers have not incorporated open-source software into our technology platform or services, or that they will not do so in the future. In the event that we become

subject to such claims, we could be subject to significant damages, enjoined from the sale of our solutions that contained the open-source software, and required to comply with onerous conditions. In addition, the terms of open-source software licenses may require us to provide software that we develop using such open-source software to others on unfavorable license terms. As a result of our current or future use of open-source software, we may face claims or litigation, be required to release our proprietary source code, pay damages for breach of contract, re-engineer our solutions, discontinue making our solutions available in the event re-engineering cannot be accomplished on a timely basis or take other remedial action. Any such re-engineering or other remediation efforts could require significant additional research and development resources, and we may not be able to successfully complete any such re-engineering or other remediation efforts on a timely basis, or at all. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could disrupt the distribution and sale of our solutions and have a material adverse effect on our business and operating results.

### **Risks Related to Ownership of Our Class A Common Stock**

***Anti-takeover provisions contained in our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, as well as provisions of Delaware law, could impair a takeover attempt.***

Our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws, and Delaware law contain provisions which could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our Board of Directors. Among other things, our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws include provisions:

- creating a classified Board of Directors whose members serve staggered three-year terms;
- authorizing “blank check” preferred stock, which could be issued by our Board of Directors without stockholder approval and may contain voting, liquidation, dividend, and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our Board of Directors; and
- controlling the procedures for the conduct and scheduling of Board of Directors and stockholder meetings.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents certain stockholders holding more than 15% of our outstanding capital stock from engaging in certain business combinations without approval of the holders of at least two-thirds of our outstanding common stock not held by such stockholder. Any provision of our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws, or Delaware law that has the effect of delaying, preventing, or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

***The market price of our Class A common stock has been, and will likely continue to be, volatile, and you could lose all or part of your investment.***

Prior to the listing of our Class A common stock, there was no public market for shares of our Class A common stock. Since our IPO, the stock price of our Class A common stock has experienced very high volatility and the market prices of securities of other newly public companies have historically been highly volatile. The market price of our Class A common stock could be subject to wide fluctuations in response to various factors, including those listed in this Annual Report on Form 10-K, some of which are beyond our control and may not be related to our operating performance.

Fluctuations in the price of our Class A common stock could cause you to lose all or part of your investment because you may be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the market price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally or those in our industry in particular;
- sales of shares of our Class A common stock by us or our stockholders;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow us, 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 services;
- the public's reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- actual or anticipated developments in our business, 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;
- outbreaks of war or other hostilities;
- any significant change in our management;
- a return of pandemic conditions; and
- general economic conditions and slow or negative growth of our markets.

***We may fail to meet our publicly announced guidance or other expectations about our business, which could cause our stock price to decline.***

We may provide from time to time guidance regarding our expected financial and business performance, which may include projections regarding sales and production, as well as anticipated future revenues, gross margins, profitability, and cash flows. Correctly identifying key factors affecting business conditions and predicting future events is inherently an uncertain process, and our guidance may not ultimately be accurate and has in the past been inaccurate in certain respects, such as the timing of new products. Our guidance is based on certain assumptions such as those relating to anticipated production and sales, average sales prices, supplier and commodity costs, and planned cost reductions. If our guidance is



not accurate or varies from actual results due to our inability to meet our assumptions or the impact on our financial performance that could occur as a result of various risks and uncertainties, the market value of our Class A common stock could decline significantly.

***Sales of a substantial number of our Class A common stock in the public market could cause our share price to fall.***

The market price of our Class A common stock could decline as a result of sales of a large number of shares of our Class A common stock in the market, and the perception that these sales could occur may also depress the market price of our Class A common stock. In addition, our daily trading volume may be limited and significantly less than the amount of shares available for sale. In the event that the number of our Class A common stock shares offered for sale on any given day exceeds the existing demand for our shares, it may cause our stock price to fall.

We may also issue additional shares of our Class A common stock, convertible securities or other equity, including pursuant to our equity compensation plans. Such issuances could be dilutive to investors and could cause the price of shares of our Class A common stock to decline. New investors in such issuances could also receive rights senior to those of holders of shares of our Class A common stock.

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

***If securities or industry analysts do not publish or cease publishing research or reports about us, our business, our market, or our competitors, or if they adversely change their recommendations regarding our Class A common stock, the market price of our Class A common stock and trading volume could decline.***

The trading market for our Class A common stock will be influenced by the research and reports that securities or industry analysts may publish about us, our business, our market, or our competitors. If any of the analysts who may cover us adversely change their recommendations regarding our Class A common stock or provide more favorable recommendations about our competitors, the market price of our Class A common stock would likely decline. If any of the analysts who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price of our Class A common stock or trading volume to decline.

***We do not expect to declare any dividends in the foreseeable future.***

We do not anticipate declaring any cash dividends to holders of our Class A common stock in the foreseeable future. Consequently, investors may need to rely on sales of our Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase shares of our Class A common stock.

***Our Amended and Restated Certificate of Incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America are the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.***

Our Amended and Restated Certificate of Incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America are the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees. Specifically, our Amended and Restated Certificate of Incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum provision for: (i) any derivative action or proceeding brought on behalf of us; (ii) any action asserting a claim of breach of a fiduciary duty; (iii) any action arising pursuant to any provision of the DGCL, our Amended and Restated Certificate of Incorporation or Amended and Restated Bylaws (as either may be amended from time to time); (iv) any action to interpret, apply, enforce, or determine the validity of our Amended and Restated Certificate of Incorporation or our Amended and Restated Bylaws; (v) any action asserting a claim against us that is governed by the internal affairs doctrine; or (vi) any action asserting an "internal corporate claim" as defined in the DGCL.



These exclusive forum provisions would not apply to suits brought to enforce a duty or liability created by the Exchange Act.

Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our Amended and Restated Certificate of Incorporation further provides that the U.S. federal district courts are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our Amended and Restated Certificate of Incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

These exclusive-forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees. If a court were to find any of the exclusive forum provisions of our Amended and Restated Certificate of Incorporation to be inapplicable to or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

***The requirements of being a public company, particularly after we are no longer an "emerging growth company", may strain our resources, require us to incur substantial costs and will require substantial management attention.***

As a public company, and particularly after we cease to be an "emerging growth company", we have incurred and will continue to incur substantial legal, accounting, and other expenses that we did not incur as a private company. For example, we are subject to the reporting requirements of the Exchange Act, the applicable requirements of the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the rules and regulations of the SEC, and the listing standards of the Nasdaq Global Market. For example, the Exchange Act requires, among other things, we file annual, quarterly, and current reports with respect to our business, financial condition, and results of operations. Compliance with these rules and regulations has increased and will continue to increase our legal and financial compliance costs, and increase demand on our systems, particularly after we are no longer an emerging growth company. In addition, as a public company, we may be subject to stockholder activism, which can lead to additional substantial costs, distract management, and impact the manner in which we operate our business in ways we cannot currently anticipate. As a result of disclosure of information in filings required of a public company, our business and financial condition has become more visible, which may result in threatened or actual litigation, including by competitors.

Some members of our management team also have limited experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, financial condition, and results of operations.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 1C. Cybersecurity**

Cybersecurity attacks impact businesses and organizations of all sizes and sectors on a global basis. At Backblaze, we recognize the importance of developing, implementing and maintaining a cybersecurity risk management program. Our customers rely on our solutions to store, use and protect their files, which may include confidential or personally identifiable information, critical business information, photographs, and other meaningful content. A successful cybersecurity attack could adversely affect the confidentiality, integrity, and availability of our information systems or any data residing therein. We dedicate significant effort and resources to protect our systems and data, as well as the data of our customers from cybersecurity threats. We are dependent on internal and external information technology systems and

infrastructure to securely process, transmit, and store critical information. Our Audit Committee is responsible for overseeing our cybersecurity, which represents an important component of the company's enterprise risk management ("ERM"). We seek to reduce cybersecurity risks through a variety of cybersecurity risk management activities that are designed to identify, assess, manage and mitigate cybersecurity threats.

### ***Risk Management Strategy***

The company's cybersecurity risk management program is focused on the following key areas:

- ***Governance:*** As more fully described in the section titled "Governance" below, the cybersecurity risk management program is led by our Chief Information Security Officer ("CISO"), with oversight from the Audit Committee of our Board of Directors and input from the Risk Management Advisory Committee (the "Risk Management Committee"). Our Risk Management Committee consists of our Chief Executive Officer, Chief Financial Officer, General Counsel and Chief Compliance Officer, CISO, other members of management, and other employees from selected key functions of the company.
- ***Approach:*** We use a cross-functional approach to identifying, preventing, assessing, and mitigating cybersecurity threats and incidents, while also implementing controls and procedures that are designed to provide for the prompt escalation of cybersecurity incidents and support appropriate public disclosure and reporting of incidents as required in a timely manner. Our cybersecurity efforts include the use of risk-based administrative, technical, and physical controls. Backblaze has implemented an extensive set of policies, procedures, systems and tools designed to help safeguard our systems and data, including firewalls, endpoint protection, detection and response solutions, intrusion detection systems, access controls including multi-factor authentication, vulnerability scanning, software static analysis, dynamic analysis and software composition analysis tools, third party independent penetration testing, independent third-party control audits, a public bug bounty program, and other systems and processes.
- ***Incident Response Planning:*** We maintain an incident response plan that includes defined processes, roles, communications, responsibilities and procedures for responding to cybersecurity incidents and other events that impact our operations. Our incident response plans are tested and evaluated on a regular basis.
- ***Third-Party Risk Management:*** Our business relies on various services from third party service providers that could adversely impact the security of our systems and business. We have implemented processes designed to identify and assess cybersecurity risks associated with our use of third-party service providers. We generally conduct a security risk assessment based on the potential for harm prior to onboarding of any such new services and include security and privacy addenda to our contracts where applicable.
- ***Education and Awareness:*** We have established a security and privacy awareness program that runs throughout the year and includes training for all company personnel to enhance employee awareness of how to detect and respond to cybersecurity threats as well as more targeted training for company personnel that have increased responsibility for mitigating certain potential cybersecurity risks.

We regularly review and update our policies, procedures, processes and practices to address changes in the threat landscape and as a result of lessons learned from suspected, actual or simulated incidents. We also conduct tabletop exercises, and engage third party services to conduct evaluations of our security controls through penetration testing and independent audits. We also review industry best practices to assist in evaluating responses to new challenges and risks. These evaluations include testing both the design and operational effectiveness of security controls. The state of the cybersecurity program is also reported by the CISO to the Audit Committee.

### ***Governance***

Our Board of Directors, in coordination with its committees, with input from the Risk Management Committee, oversees our enterprise risk management process, including the risks arising from cybersecurity threats. Our incident response policies and procedures provide for prompt notice to key members of our management team and other company personnel of any incidents that could negatively impact the company's systems or data. Our cybersecurity risk management program is managed by our CISO, whose security team is responsible for leading enterprise-wide cybersecurity strategy, policy, standards, architecture, and processes. Our CISO also regularly provides updates to the Audit Committee on our cybersecurity program, including recent developments, key initiatives to strengthen our systems, applicable industry standards, vulnerability assessments, third-party and independent reviews, and other information security considerations.

The Audit Committee also receives information regarding cybersecurity incidents, including prompt updates for any cybersecurity incidents that may be deemed material events impacting us and which might require public disclosure. Our CISO and other key personnel also frequently engage with key vendors, industry groups, and law enforcement communities as part of our continuing efforts to improve our cybersecurity program.

### ***Experience***

Our CISO has 30 years of experience working in cybersecurity, IT, governance, risk management, regulatory compliance, and data protection and privacy program design and implementation. He previously served as the Chief Information Security Officer at multiple federal healthcare contractor organizations, and also served as the Director of IT Security at a publicly traded international satellite radio company. He is an IAPP Fellow of Information Privacy and holds over 35 security, privacy, and risk management certifications.

### ***Cybersecurity Risks***

While we dedicate significant efforts and resources to our cybersecurity program, we may be unable to successfully identify threats, prevent attacks, satisfactorily resolve cybersecurity incidents, or implement adequate mitigating controls. Any breach of our network security and information systems or other cybersecurity-related incidents that results in, or may result in, the loss, theft or unauthorized disclosure of data, or any delay in determining the full extent of a potential breach, could have a material adverse impact on our business, results of operations, and financial condition, including harm to our reputation and brand, reduced demand for our solutions, time-consuming and expensive litigation, fines, penalties, and other damages. For example, as we previously disclosed, in December 2021, an industry-wide zero-day vulnerability was discovered in the Apache Log4j logging library commonly used by many companies throughout the world that could enable attackers to take control of vulnerable servers. Although we did not identify any unauthorized access to our systems due to the Log4j vulnerability, out of an abundance of caution and because Log4j was leveraged widely in our environment, we decided it was in our customers' best interest to take our systems offline for a short period of time until we could apply the security updates. To date and except as otherwise may be noted in this Annual Report on Form 10-K, we do not believe that any cybersecurity threats, including as a result of any previous cybersecurity incidents have materially affected, or are reasonably likely to materially affect the company, including its business strategy, results of operations or financial condition. For more information relating to cybersecurity risks and uncertainties, please see the risk factor entitled "If our information technology systems, including the data of our customers stored in our systems, are breached or subject to cybersecurity attacks, our reputation and business may be harmed" in Part I, Item 1A, and other risk factors in this 10-K.

### **Item 2. Properties**

Our corporate headquarters is located in San Mateo, California and consists of approximately 24,000 square feet of space under a lease agreement which expires in 2029. We also lease space in multiple data centers located domestically in California, Arizona and Virginia, and one data center located internationally in Amsterdam, in the Netherlands. We lease all of our facilities and do not own any real property. We expect to add facilities as we grow our employee base, our Backblaze Storage Cloud platform and expand geographically, and may also elect to consolidate the locations of the data centers we use as well as other operation centers from time to time to address our needs.

### **Item 3. Legal Proceedings**

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that we believe is likely to have a material adverse effect on our business, financial condition, or operating results. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

### **Item 4. Mine Safety Disclosures**

Not applicable.

## Part II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### *Market information*

Our Class A common stock has been listed on The Nasdaq Stock Market LLC under the symbol “BLZE” since November 11, 2021. Prior to that date, there was no public trading market for our common stock.

#### *Holders of Record*

As of February 29, 2024, there were 20 stockholders of record of our Class A common stock. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial owners of our Class A common stock represented by these record holders.

#### *Dividend Policy*

We have never declared or paid any dividends on our common stock. We currently intend to retain all available funds and any future earnings for the operation and expansion of our business. Additionally, our ability to pay dividends is limited by restrictions on our ability to pay dividends or make distributions under the terms of our credit facility. Accordingly, we do not anticipate declaring or paying dividends in the foreseeable future. The payment of any future dividends will be at the discretion of our Board of Directors and will depend on our results of operations, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payment of dividends present in our current credit facility and any future debt agreements, and other factors that our Board of Directors may deem relevant.

#### *Recent Sales of Unregistered Securities*

Not applicable.

#### *Issuer Repurchases of Securities*

None.

#### *Use of Proceeds*

In November 2021, we completed our initial public offering (“IPO”), in which we issued and sold an aggregate of 7,187,500 shares of our Class A common stock at a public offering price of \$16.00 per share, which resulted in gross proceeds of \$115.0 million. The net proceeds to us after deducting underwriting discounts and commissions were approximately \$103.0 million. All of the shares issued and sold in our IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333- 260333), which was declared effective by the SEC on November 10, 2021.

There has been no material change in the planned use of proceeds from our IPO from those disclosed in the Final Prospectus for our IPO dated as of November 10, 2021 and filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act, as amended, on November 12, 2021.

### Item 6. Reserved

## Item 7. Management's Discussion and Analysis of Financial Condition and Result of Operations

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes to those statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. You should review the section titled "Special Note Regarding Forward-Looking Statements" for a discussion of forward-looking statements and in Part I, Item 1A, "Risk Factors", for a discussion of factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis and elsewhere in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.*

### Overview

We are a leading specialized storage cloud platform, providing businesses and consumers cloud services to store, use, and protect their data in an easy and affordable manner. We provide these cloud services through a purpose-built, web-scale software infrastructure built on commodity hardware. We believe that by substantially reducing the complexity and frustration of storing, using, and protecting data, we can empower customers to focus on their core business operations. Through our blog and culture of transparency, we have built a community of millions of readers and brand advocates. Referrals from our community of brand advocates, combined with our highly efficient and primarily self-serve customer acquisition model and an ecosystem of thousands of partners, have allowed us to attract more than 500,000 customers as of December 31, 2023. These customers use our Storage Cloud platform across more than 175 countries to grow and protect their business data on our over three billion gigabytes of data storage under management.

Our Backblaze Storage Cloud provides a platform that is the foundation for our B2 Cloud Storage Infrastructure-as-a-Service (IaaS) offering and our Backblaze Computer Backup Software-as-a-Service (SaaS) offering. B2 Cloud Storage enables customers to store data, developers to build applications, and partners to expand their use cases. The amount of data stored in this cloud service can scale up and down as needed primarily on a pay-as-you-go basis or can be paid for on a capacity basis for greater predictability, which we refer to as our B2 Reserve offering. Backblaze Computer Backup automatically backs up data from laptops and desktops for businesses and individuals. This cloud backup service offers easily understood primarily flat-rate pricing to continuously back up a virtually unlimited amount of data.

We believe that focusing on storage use cases and promoting an open cloud ecosystem allows us to integrate well with a broad range of partners. We have consistently invested in our technology platform and highly efficient content-driven and self-serve, sales, and channel go-to-market strategy, allowing us to achieve customer, community, and product milestones.

### Price Increases and Product Updates

During the third quarter of 2023, we announced pricing increases and product updates across our Computer Backup and B2 Cloud Storage products, which became effective in October 2023. Effective October 3, 2023, we increased the monthly B2 pay-as-you-go storage rate from \$5 to \$6 per terabyte; the price of our B2 Reserve offering and other committed contracts did not change. We also made egress free for all B2 Cloud Storage customers up to 3x per month the amount of data they store with us. In addition, we increased the pricing of our Computer Backup offering to \$9 per month, or \$99 for a 1-year subscription plan and \$189 for a 2-year subscription plan. As part of the Computer Backup price increase, we also bundled One Year Extended Version History, which previously had been a \$2 per month add-on expense if customers selected that option. The Computer Backup price increase is being phased in over time based on renewal timing. As part of our leadership in the open cloud movement, we also announced free egress, significant performance improvements, and new functionality to increasingly support our customers' ability to break free from limitations on their data.

## Our Business Model

Our solutions are designed for individuals and businesses of all sizes and across all industries but have a particularly strong appeal to mid-market organizations (which we define as organizations with 10 to 999 employees) due to their desire for easy-to-use and cost-effective solutions. We generate revenue primarily from our two cloud services:

- Backblaze B2 Cloud Storage, which enables customers to store data for any use case, and for developers to embed our platform into their applications. In both cases, our customers use this offering in a consumption-based or capacity based model, and
- Backblaze Computer Backup, which provides virtually unlimited backup to businesses and consumers in a SaaS subscription model.

We believe our pricing is simple and straightforward, with fees and terms that are generally shared transparently on our website.

We have recently implemented price increases and product updates across our Computer Backup and B2 Cloud Storage products, which generally became effective in October 2023, with no material impact on customer retention as of December 31, 2023.

We believe we provide simple pricing for usage of our cloud services and increase revenue per customer through our customers' natural data growth. Additionally, we provide customers with additional value through cross-sell, upsell, and use case expansion that can result in additional revenue per customer. These options for cross-selling and upselling include the following:

- **Cross-Sell:** After adopting any of our products, customers may expand to other products as their use cases grow, including Computer Backup customers who adopt B2 Cloud Storage to facilitate broader use cases. Adopting additional products expands usage of our platform.
- **Upsell:** Customers can choose to use various features and services for additional fees, such as Enterprise Control, Snapshots, cloud replication, and enhanced support tiers. For example, our Computer Backup cloud service offers Enterprise Control, which provides larger customers with more management for an additional cost. B2 Cloud Storage offers Snapshots that allow customers to create moment-in-time versions of their data, and we also allow customers to keep their data in multiple geographic regions, both of which provide more customer value. Additionally, customers receive email and chat support for free, but can also opt for enhanced support tiers for an additional cost, which provide dedicated customer support contacts and 24/7 response.
- **Use Case Expansion:** B2 Cloud Storage customers may adopt the service for one business need, but can expand their use cases as their business evolves. One such example would be a business using B2 Cloud Storage for media asset management storage, which decides to also use the service as an origin store for content distribution; another would be a business that adopts B2 Cloud Storage for backup and archive purposes, which decides to also enable Object Lock for ransomware protection. Use case expansion enables the opportunity to deepen our relationship with our customers and increase revenue.

For prospective customers interested in B2 Cloud Storage, we offer a free tier and a simple, intuitive sign-up process, allowing them to quickly on-board and start using our solutions. Once prospective customers grow beyond the free storage limit, they have the flexibility to only pay for what they need and pay as they go, without any lock-in or long-term commitments. This is delivered via a consumption-based model, and we charge a fixed price per month per gigabyte of data stored on our platform. Customers may purchase our B2 Cloud Storage on a capacity basis for greater predictability, which we refer to as our B2 Reserve offering.

For prospective customers interested in Computer Backup, we offer a free 15-day trial and automatically start to back up all their files securely to our Backblaze Storage Cloud. Prospective customers can then choose to sign up on a per computer basis. The service is delivered via a SaaS model where revenue is recognized ratably over the subscription term. Subscriptions are offered to customers on a monthly, annual, or biennial basis, providing customers flexibility to choose their commitment lengths. We charge a flat rate for this solution and provide virtually unlimited backup capabilities to customers. There are no storage limits or tiers.

Our go-to-market model has two primary selling motions, including self-service and sales driven. We believe that we have an efficient self-serve selling motion. Prospective customers find us through a variety of channels including our website, partners, and brand advocates. We have fostered community engagement with content we share on our blog, which includes millions of readers viewing the content we shared in 2023 alone. Our content is intended to encourage organic, inbound traffic that we believe serves as our greatest source of advocates and referrals. Our free trial and self-serve sign-up processes help convert our blog readers and referrals from our brand advocates into customers, with approximately 76% of our total revenue in 2023 coming from self-serve customers. In addition to self-serve, we layer on a sales driven selling motion targeting larger customers. The sales driven motion includes our direct sales team that contracts directly with customers and our channel sales team that contracts sales through our channel partners. More recently, we also added our Powered By Backblaze program that enables third parties to integrate Backblaze B2 and thus offer cloud storage as part of their product offering.

We also have a community of thousands of partners that has arisen as a result of our efforts. Our technology and developer partners, channel partners and MSP partnerships expand use cases and attract customers, thereby increasing usage of our Storage Cloud and helping to drive revenue growth. In addition to our self-serve selling motion, we have a sales-assisted selling motion to identify opportunities to increase business with existing customers and to assist larger customers in adopting our services. Our sales-assisted selling motion helps customers that, in 2023, generally were much larger in terms of average revenue per customer than our self-serve customers.

Substantially all of our revenue is recurring in nature. We employ a land-and-expand model that seeks to drive additional revenue from existing customers. As customers generate, store, and back up more data, their use of our platform increases, creating natural opportunities for revenue expansion. We are able to further expand our relationships with our customers when they adopt new features and use cases that lead to increased usage of our platform.

### **Factors Affecting Our Performance**

We believe that the future growth and performance of our business will depend on several factors, including the following:

#### ***Scale Self Service Customer Acquisition***

Our business depends, in part, on our ability to add new customers. We believe there is a significant opportunity to further grow our customer base by continuing to make investments in sales and marketing. We will continue investing in our customer acquisition and inbound demand generation activities, which is driven predominantly by our blog content, our case studies, social sharing, earned media, and our self-serve sign up model. We also will continue investing in optimizing the conversion rate of visitors to customers. We intend to leverage this model as an efficient approach to attract new customers, turning them into brand advocates, partners, and more referrals. Furthermore, we plan to continue to build and scale our paid lead generation and outbound sales motion to increasingly grow in the mid-market.

We also plan to continue to build our ecosystem of partners. We believe that delivering our Storage Cloud solutions through our alliance, developer, and MSP partnerships is an area of opportunity for us. By adding more partners and deepening our relationships with them, we expand our use cases and drive new customer acquisition.

#### ***Scale Sales Efforts***

We believe an increasingly important customer acquisition model is our targeted sales team that is focused on larger customers and channel sales. The sales motion focuses on inbound inquiries, outbound prospecting targeting specific use cases, and volume expansion of our self-serve customers.

#### ***Expansion Within Existing Customers***

Our future success will depend in part on our ability to increase usage and adoption of our solutions with existing customers. We intend to increase revenue from existing customer relationships through the development of additional features and use cases, expanding our Customer Success initiatives, and natural customer data growth. We have developed add-on services, such as Enterprise Control and multi-region selection, which customers pay for on top of existing offerings. Examples of expanding use cases include utilizing Backblaze for additional purposes such as media storage, hybrid cloud support, analytics repositories, and others. We also plan to grow our Customer Success initiatives to ensure customers avail themselves of the full benefits of our platform, thus resulting in increased adoption. As these

customers continue to generate, store, and back up data, their use of our platform increases, creating natural opportunities for revenue expansion.

#### ***Continued Platform Investment and New Product Launches***

We are committed to delivering market-leading products that continue to make cloud storage and backup easy. We believe we must maintain our product quality and strength of our brand in order to retain the current customer base as well as drive further revenue growth in our business. We intend to continue investing in our research and development activities to build upon our strong position in the technology community. We also plan to launch new products that are adjacent to our current offerings, which will provide us with the ability to further cross-sell and upsell.

#### ***Investments for Continued Scaling***

We are focused on our long-term revenue potential and building out our infrastructure to sustain that growth. On a routine basis, we plan to focus resources on optimizing the efficiency of our data storage. In some scenarios, we may choose to pass on potential cost savings to the customer, but in other scenarios we may choose to reinvest cost savings back into infrastructure and design.

#### ***International Expansion***

While our sales and marketing efforts have primarily focused on the United States, our existing customer base spans more than 175 countries, with approximately 28% of our total revenue originating outside of the United States for the year ended December 31, 2023. We believe international expansion represents a meaningful opportunity to generate further demand for our solutions in international geographies. We may invest in our operations internationally to reach new customers by expanding in targeted key geographies where we believe there are opportunities for significant return on investment.



## Key Business Metrics

We monitor the key business metrics set forth below to help us evaluate our business and growth trends, establish budgets, measure the effectiveness of our sales and marketing investments, and assess operational efficiencies. The calculation of the key metrics discussed below may differ from other similarly titled metrics used by other companies, securities analysts, or investors.

	December 31,	
	2023	2022
<b>B2 Cloud Storage</b>		
Net revenue retention rate (NRR)	122 %	122 %
Gross customer retention rate	90 %	90 %
Annual recurring revenue (in millions)	\$ 57.6	\$ 38.6
Number of customers	97,842	86,874
Annual average revenue per user	\$ 577	\$ 437
<b>Computer Backup</b>		
Net revenue retention rate (NRR)	100 %	108 %
Gross customer retention rate	91 %	90 %
Annual recurring revenue (in millions)	\$ 60.0	\$ 53.4
Number of customers	431,745	436,080
Annual average revenue per user	\$ 140	\$ 124
<b>Total Company</b>		
Net revenue retention rate (NRR)	109 %	113 %
Gross customer retention rate	91 %	91 %
Annual recurring revenue (in millions)	\$ 117.6	\$ 92.0
Number of customers <sup>(1)</sup>	511,942	506,456
Annual average revenue per user	\$ 228	\$ 181

(1) The number of customers for each of B2 Cloud Storage and Computer Backup solutions include customers that use both our B2 Cloud Storage and Computer Backup solutions.

### Net Revenue Retention Rate

We believe the growth in use of our platform by our existing customers is an important measure of the health of our business and our future growth prospects. We measure this growth by monitoring our overall net revenue retention rate, which measures our ability to retain and expand revenue from existing customers. We believe that we can drive this metric by continuing to focus on our customers and by adding additional products and functionality to our platform.

Our overall net revenue retention rate is a trailing four-quarter average of the recurring revenue from a cohort of customers in a quarter as compared to the same quarter in the prior year. We calculate our overall net revenue retention rate for a quarter by dividing (i) recurring revenue in the current quarter from any accounts that were active at the end of the same quarter of the prior year by (ii) recurring revenue in the current corresponding quarter from those same accounts. Our overall net revenue retention rate includes any expansion of revenue from existing customers and is net of revenue contraction and customer attrition, and excludes revenue from new customers in the current period. Our net revenue retention rate for B2 Cloud Storage and Computer Backup is calculated in the same manner as our overall net revenue retention rate based on the revenue from our B2 Cloud Storage and Computer Backup solutions, respectively.

Our Net Revenue Retention Rate was flat for B2 Cloud Storage for the year ended December 31, 2023 compared to the year ended December 31, 2022. Our Net Revenue Retention Rate decreased by 8% for Computer Backup for the year ended December 31, 2023 compared to the year ended December 31, 2022, primarily due to customer churn.

### ***Gross Customer Retention Rate***

We use gross customer retention rate to measure our ability to retain our customers. Our gross customer retention rate reflects only customer losses and does not reflect the expansion or contraction of revenue we earn from our existing customers. We believe our high gross customer retention rates demonstrate that we serve a vital service to our customers, as the vast majority of our customers tend to continue to use our platform from one period to the next. To calculate our gross customer retention rate, we take the trailing four-quarter average of the percentage of cohort of customers who were active at the end of the quarter in the prior year that are still active at the end of the current quarter. We calculate our gross customer retention rate for a quarter by dividing (i) the number of accounts that generated revenue in the last month of the current quarter that also generated recurring revenue during the last month of the corresponding quarter in the prior year, by (ii) the number of accounts that generated recurring revenue during the last month of the corresponding quarter in the prior year.

Our Gross Customer Retention Rate was essentially flat for both B2 Cloud Storage and Computer Backup for the year ended December 31, 2023 compared to the year ended December 31, 2022.

### ***Annual Recurring Revenue***

We define annual recurring revenue (“ARR”) as the annualized value of all B2 Cloud Storage and Computer Backup arrangements as of the end of a period. Given the renewable nature of our business, we view ARR as an important indicator of our financial performance and operating results, and we believe it is a useful metric for internal planning and analysis. ARR is calculated based on multiplying the monthly revenue from all B2 Cloud Storage and Computer Backup arrangements, which represent greater than 98% of our total revenue for the periods presented (and excludes Physical Media revenue), for the last month of a period by 12. Our annual recurring revenue for B2 Cloud Storage and Computer Backup is calculated in the same manner as our overall annual recurring revenue based on the revenue from our Computer Backup and B2 Cloud Storage solutions, respectively. See Notes 2 and 3 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information on revenue from B2 Cloud Storage and Computer Backup arrangements.

ARR does not have a standardized meaning and is therefore unlikely to be comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue and is not intended to be combined with or to replace that item. ARR is not a forecast and the active contracts at the end of a reporting period used in calculating ARR may or may not be extended or renewed by our customers.

While ARR is not a guarantee of future revenue, we consider over 98% of our total revenue recurring for the periods presented. As noted above, our gross customer retention rate has been consistent over the periods presented at approximately 90%. Although most B2 Cloud Storage is paid for by customers in arrears, we recognize revenue in the month these storage services are delivered, and consider this revenue recurring as customers are charged as long as their data is stored with us. Further, during the periods presented, customers who store data with us generally increase the amount of their data stored over time, as evidenced by our B2 Cloud Storage net revenue retention rate of 122% as of December 31, 2023. Fees from B2 Cloud Storage (consumption-based arrangements) are recognized as services are delivered. Computer Backup and B2 Cloud Storage (subscription-based arrangements) revenue is recognized on a straight-line basis over the contractual term of the arrangement beginning on the date that the service commences, provided that all other revenue recognition criteria have been met. See Note 2 to the consolidated financial statements for details on our revenue recognition policy. Additional limitations of ARR include the fact that consumption-based revenue is not guaranteed for future periods, although we believe that our high historic gross customer retention rate is indicative of ARR, and the fact that our subscription terms can be on a monthly basis, although the significant majority of our customers have subscription terms of one year or longer during the periods presented above.

Our ARR increased by \$19.0 million, or 49.2% for B2 Cloud Storage for the year ended December 31, 2023 compared to the year ended December 31, 2022, primarily due to increased storage by our customers and to a lesser extent, the price increase and increased sales from B2 Reserve. Our ARR increased by \$6.6 million, or 12.4%, for Computer Backup for the year ended December 31, 2023 compared to the year ended December 31, 2022, primarily due to the price increase and, to a lesser extent, growth from existing customers.

### ***Number of Customers***

We define a customer at the end of any period as a distinct account, as identified by a unique account identifier, that has paid for our cloud services, which makes up substantially all of our user base. In Q4 2023, we refined our customer definition to include end-user customers that purchase through a reseller. This resulted in no impact to previously reported metrics other than a 1% decrease to the 120% NRR metric reported for Q3 2023.

### ***Annual Average Revenue Per User***

We define annual average revenue per user (“Annual ARPU”) as the annualized value for the average revenue per customer. Annual ARPU is calculated by dividing our revenue for the last month of a period by the total number of customers as of the last day of the same period, and then multiplying the resulting quotient by 12. Our annual average revenue per user for B2 Cloud Storage and Computer Backup is calculated in the same manner based on the revenue and number of customers from our B2 Cloud Storage and Computer Backup solutions, respectively.

Our Annual ARPU increased for B2 Cloud Storage and Computer Backup by 32% and 13%, respectively, for the year ended December 31, 2023 compared to the year ended December 31, 2022, primarily due to the 2023 price increase and our focus on adding larger customers.

## **Key Components of Results of Operations**

### ***Revenue***

We generate revenue primarily from our B2 Cloud Storage and Computer Backup cloud services offered on our platform. Our platform is offered to our customers primarily through either a consumption or a subscription-based arrangement through B2 Cloud Storage and Computer Backup, respectively. Our subscription arrangements generally range in duration from one month to three years, for which we bill our customers up front for the entire period. Our consumption-based arrangements do not have a contractual term and are billed monthly in arrears.

Consumption-based revenue is variable and is related to fees charged for our customers’ use of our platform and is recognized as revenue in the period in which the consumption occurs. For our subscription arrangements, we provide our cloud services evenly over the contractual period, for which revenue is recognized on a straight-line basis over the contract term beginning on the date that the service is made available to the customer.

In support of our platform, we also derive revenue from products offered to our customers for the ability to securely restore data using a USB drive (“USB Restore”) and for migrating large data sets to our platform using our proprietary Fireball device. Revenue from USB Restore is recognized as our products are delivered to our customers. Revenue recognized from customer rentals of our Fireball device is time-based.

### ***Cost of Revenue and Gross Margin***

Cost of revenue consists of expenses for providing our platform and cloud services to our customers. These expenses include operating in co-location facilities, network and bandwidth costs, and depreciation of our equipment and capital lease equipment in co-location facilities. Personnel-related costs associated with customer support and maintaining service availability, including salaries, benefits, bonuses, and stock-based compensation are also included. Cost of revenue also includes credit card processing fees, amortization of capitalized internal-use software development costs, and allocated overhead costs.

We intend to continue to invest additional resources in our infrastructure and related personnel, and our customer support organization, to support the growth of our business. Some of these investments, including costs of infrastructure equipment (including related depreciation) and expansion, are incurred in advance of generating revenue, and either the failure to generate anticipated revenue or fluctuations in the timing of revenue could affect our gross margin from period to period.

### ***Operating Expenses***

The most significant components of our operating expenses are personnel costs, which consist of salaries, benefits, bonuses, and stock-based compensation. We also incur other non-personnel costs related to our general overhead expenses. We expect that our operating expenses will increase in absolute dollars as we grow our business.

### *Research and Development*

Research and development expenses consist primarily of our investment in personnel costs, consultant fees, costs related to technical operations, subscription services for use by our research and development organization and an allocation of our general overhead expenses. We capitalize the portion of our software development costs that meets the criteria for capitalization.

We expect our investment in research and development expenses to increase in absolute dollars for the foreseeable future as we continue to focus our research and development investments on adding new features to our platform, improving our cloud service offerings, and increasing the functionality of our existing features. Our research and development expenses may fluctuate as a percentage of total revenue from period to period due to the timing and extent of these expenses.

### *Sales and Marketing*

Sales and marketing expenses consist primarily of our investment in personnel costs. Sales and marketing expenses also include investments related to advertising, marketing, our brand awareness activities, commissions paid to marketing partners, and an allocation of our general overhead expenses.

We plan to continue investing in sales and marketing by increasing our sales and marketing headcount, supplementing our self-serve model with a direct sales approach, expanding our partner ecosystem, driving our go-to-market strategies, building our lead generation and brand awareness, and sponsoring additional marketing events. As a result, we expect our investment in sales and marketing to increase in absolute dollars for the foreseeable future. Sales and marketing expenses may fluctuate as a percentage of total revenue from period to period because of the timing and extent of these expenses.

### *General and Administrative*

General and administrative expenses consist primarily of personnel costs for our accounting, finance, legal, IT, security, human resources, and administrative support personnel and executives. General and administrative expenses also include costs related to legal and other professional services fees, sales and other taxes; depreciation and amortization; and an allocation of our general overhead expenses. We expect to continue incurring general and administrative expenses as a result of operating as a public company, including expenses for insurance, costs to comply with the rules and regulations applicable to companies listed on a national securities exchange, costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, investor relations, and professional services expenses.

### *Investment Income*

Investment income consists primarily of interest earned on our cash balances and investments.

### *Interest Expense*

Interest expense consists primarily of interest related to our finance lease agreements and interest on the outstanding balance of our existing credit facility.

### *Income Tax (Benefit) Provision*

Provision for income taxes consists primarily of income taxes in certain foreign and state jurisdictions in which we conduct business. We maintain a full valuation allowance against our U.S. deferred tax assets because we have concluded that it is more likely than not that our deferred tax assets will not be realized.

## Results of Operations

The following table sets forth our consolidated statements of operations data for the periods indicated:

	For the Years Ended December 31,	
	2023	2022
	(in thousands)	
Revenue	\$ 102,019	\$ 85,155
Cost of revenue <sup>(1)</sup>	52,162	41,292
Gross profit	49,857	43,863
Operating expenses:		
Research and development <sup>(1)</sup>	39,527	33,107
Sales and marketing <sup>(1)</sup>	41,270	35,399
General and administrative <sup>(1)</sup>	26,965	23,470
Total operating expenses	107,762	91,976
Loss from operations	(57,905)	(48,113)
Investment income	1,984	965
Interest expense	(3,792)	(4,289)
Loss before provision for income taxes	(59,713)	(51,437)
Income tax benefit	—	(39)
Net loss	<u>\$ (59,713)</u>	<u>\$ (51,398)</u>

(1) Includes stock-based compensation expense as follows:

	For the Years Ended December 31,	
	2023	2022
	(in thousands)	
Cost of revenue	\$ 1,986	\$ 1,267
Research and development	9,218	6,698
Sales and marketing	8,801	5,360
General and administrative	5,172	3,724
Total stock-based compensation expense	<u>\$ 25,177</u>	<u>\$ 17,049</u>

The consolidated statement of operations for the year ended December 31, 2023 includes additional expense of \$0.9 million recorded in the fourth quarter to increase stock based compensation expense under our employee stock purchase plan (“ESPP”).

The following table sets forth our consolidated statements of operations data expressed as a percentage of revenue for the periods indicated:

	For the Years Ended December 31,	
	2023	2022
Revenue	100 %	100 %
Cost of revenue	51	48
Gross profit	49	52
Operating expenses:		
Research and development	39	39
Sales and marketing	40	42
General and administrative	26	28
Total operating expenses	106	108
Loss from operations	(57)	(57)
Investment income	2	1
Interest expense	(4)	(5)
Loss before provision for income taxes	(59)	(60)
Income tax (benefit) provision	—	—
Net loss	(59)%	(60)%

### Comparison of the Years Ended December 31, 2023 and 2022

#### Revenue

	For the Years Ended December 31,			
	2023	2022	Change	% Change
	(in thousands, except percentages)			
B2 Cloud Storage revenue	\$ 46,427	\$ 33,202	\$ 13,225	40 %
Computer Backup revenue	55,592	51,953	3,639	7 %
Total revenue <sup>(1)</sup>	\$ 102,019	\$ 85,155	\$ 16,864	20 %

<sup>(1)</sup> For the periods presented, Physical Media revenue has been consolidated into B2 Cloud Storage or Computer Backup revenue based on the underlying offering from which it originates.

Revenue increased by \$16.9 million, or 20%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. B2 Cloud Storage increased by \$13.2 million for the year ended December 31, 2023 compared to the year ended December 31, 2022, approximately \$10.0 million of which was due to increased storage by our customers, \$1.9 million from the price increase in October 2023 and \$1.3 million from sales of B2 Reserve. Computer Backup increased by \$3.6 million for the year ended December 31, 2023 compared to the year ended December 31, 2022, approximately \$2.7 million of which was due to a prior price increases that went into effect in September 2021 and October 2023, and approximately a \$0.9 million impact due to growth from existing customers. Our price increase amounts noted above are inherent estimates that are based on an average price charged per customer and other assumptions that may offset the increase, such as free egress and impact of the price increase on the amount of data stored and customer license count.

During the third quarter of 2023, we announced pricing increases across our Computer Backup and B2 Cloud Storage products, which became effective in October 2023. While the impact of these price increases have inherent uncertainty, we expect a favorable impact to total revenue across our products over the next 12 months, and do not expect a significant change in costs solely as a result of the increase. As a result of this price increase, we have not experienced a material impact on customer retention as of December 31, 2023.

### Cost of Revenue and Gross Margin

	For the Years Ended December 31,			
	2023	2022	Change	% Change
	(in thousands, except percentages)			
Cost of revenue	\$ 52,162	\$ 41,292	\$ 10,870	26 %
Gross margin	49 %	52 %		

Total cost of revenue increased by \$10.9 million, or 26%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase was primarily attributable to an increase of \$6.0 million related to managing and operating our co-location facilities, and an increase of \$4.9 million for depreciation of our infrastructure equipment, which resulted from purchasing additional hard drives and related infrastructure in order to support the growth of our business. The increase of \$6.0 million related to managing and operating our co-location facilities includes a \$2.9 million increase in rent expense, a \$1.7 million increase in personnel related costs, such as salaries, benefits, bonuses, and stock-based compensation due to an increase in headcount and equity awards, \$0.9 million of bandwidth and utility expenses, and \$0.6 million increase in credit card fees.

Gross margin decreased to 49% for the year ended December 31, 2023 compared to 52% for the year ended December 31, 2022. The decrease in gross margin was primarily due to cost of revenue increasing at a higher rate as compared to our total revenue growth as a result of a full year of expenses in 2023 related to data centers opened in 2022 and purchase of additional infrastructure equipment in order to support the growth of our business.

While the impact of the price increase we announced during the third quarter of 2023 has inherent uncertainty, we expect a favorable impact to gross margin over the next 12 months as we do not expect a significant change in our cost of revenue solely as a result of these increases. Further, we plan to lease and purchase additional infrastructure equipment of a similar magnitude over the next 12 months in order to support the growth of our business.

### Operating Expenses

	For the Years Ended December 31,			
	2023	2022	Change	% Change
	(in thousands, except percentages)			
Research and development	\$ 39,527	\$ 33,107	\$ 6,420	19 %
Sales and marketing	41,270	35,399	5,871	17 %
General and administrative	26,965	23,470	3,495	15 %

#### Research and Development

Research and development expense increased by \$6.4 million, or 19%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase was primarily attributable to an increase of \$6.8 million in personnel-related expenses due to an increase in engineering headcount that was partially offset by an incremental \$6.1 million of personnel-related expenses capitalized related to development of internal-use software related to new features for our platform during 2023, \$2.5 million related to stock-based compensation expense, \$2.3 million related to restructuring charges, and \$0.6 million in hosting and subscription fees supporting our research and development investments.

We expect research and development expense to increase with the growth of our business as we continue to focus our research and development investments on adding new features to our platform, improving our cloud service offerings, and increasing the functionality of our existing features.

#### Sales and Marketing

Sales and marketing expense increased by \$5.9 million, or 17%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase in sales and marketing expense was primarily attributable to an increase of \$3.4 million related to stock-based compensation, \$2.7 million in personnel-related expenses as a result of increased headcount, \$1.0 million related to restructuring charges, \$0.5 million in fees for consultants and contractors, and \$0.1



million in overhead and general expenses, partially offset by \$2.1 million decreased advertising expenses related primarily to our B2 Cloud Storage offering as we continue to focus marketing expenditures on high return initiatives.

### *General and Administrative*

General and administrative expense increased by \$3.5 million, or 15%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase was primarily attributable to \$1.3 million in personnel-related expenses as a result of increased headcount, \$1.5 million related to stock-based compensation expense, \$0.9 million related to indirect tax liability write-offs due to non-recurring settlement of VAT liabilities during 2022, \$0.7 million in overhead and general expenses due to subscriptions to support our increasing employee population, \$0.4 million in professional fees for accounting and tax services, \$0.3 million related to restructuring charges, partially offset by a \$1.1 million decrease in legal expenses, of which \$1.5 million was related to a 2022 SAFE holder settlement that did not recur in 2023, and \$0.3 million for insurance expenses.

We expect general and administrative expense to decrease in 2024, in part due to the savings from insurance premiums and consolidating our corporate headquarters from two separate office facilities into one office facility in Q3 2023.

### *Investment Income*

	For the Years Ended December 31,			
	2023	2022	Change	% Change
	(in thousands, except percentages)			
Investment income	\$ 1,984	\$ 965	\$ 1,019	106 %

Investment income increased by \$1.0 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase was primarily due to increased interest rates on our marketable securities, partially offset by a lower average marketable securities portfolio balance in 2023 as compared to 2022.

### *Interest Expense*

	For the Years Ended December 31,			
	2023	2022	Change	% Change
	(in thousands, except percentages)			
Interest expense	\$ (3,792)	\$ (4,289)	\$ 497	12 %

Interest expense decreased by \$0.5 million, or 12%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. \$1.0 million of the decrease was primarily due to lower average interest rates on new finance lease agreements entered into in 2023 compared to higher interest rates in prior years, partially offset by a \$0.5 million increase in higher interest expense related to our revolving line of credit due to a higher interest rate and average outstanding balance during the year compared to the same period in 2022.

### *Income Tax Benefit*

	For the Years Ended December 31,			
	2023	2022	Change	% Change
	(in thousands, except percentages)			
Income tax benefit	\$ —	\$ (39)	\$ 39	(100)%

Our benefit for income taxes was relatively flat for the year ended December 31, 2023, compared to the same period in 2022.

### **Non-GAAP Financial Measures**

To supplement our consolidated financial statements, which are prepared and presented in accordance with generally accepted accounting principles in the United States, or GAAP, we provide investors with non-GAAP financial measures including adjusted gross margin and adjusted EBITDA, each as defined below. These measures are presented for

supplemental informational purposes only, have limitations as analytical tools and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate similarly-titled non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of these measures as tools for comparison. Because of these limitations, when evaluating our performance, you should consider each of these non-GAAP financial measures alongside other financial performance measures, including the most directly comparable financial measure calculated in accordance with GAAP and our other GAAP results. A reconciliation of each of our non-GAAP financial measures to the most directly comparable financial measure calculated in accordance with GAAP is set forth below.

### ***Adjusted Gross Margin***

We believe adjusted gross margin, when taken together with our GAAP financial results, provides a meaningful assessment of our performance, and is useful to us for evaluating our ongoing operations and for internal planning and forecasting purposes.

We define adjusted gross margin as gross profit, excluding stock-based compensation expense, depreciation and amortization within cost of revenue, as a percentage of adjusted gross profit to total revenue. We exclude stock-based compensation, which is a non-cash item, because we do not consider it indicative of our core operating performance. We exclude depreciation expense of our property and equipment and amortization expense of capitalized internal-use software, because these may not reflect current or future cash spending levels to support our business. We believe adjusted gross margin provides consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations, as this metric eliminates the effects of depreciation and amortization.

The following table presents a reconciliation of gross profit, the most directly comparable financial measure stated in accordance with GAAP, to adjusted gross profit, for each of the periods presented:

	For the Years Ended December 31,	
	2023	2022
	(in thousands, except percentages)	
Gross profit	\$ 49,857	\$ 43,863
Adjustments:		
Stock-based compensation	1,986	1,267
Depreciation and amortization	24,330	19,487
Adjusted gross profit	\$ 76,173	\$ 64,617
Gross margin	49 %	52 %
Adjusted gross margin	75 %	76 %

### ***Adjusted EBITDA***

Our management uses adjusted EBITDA to assess our operating performance. We define adjusted EBITDA as net loss adjusted to exclude depreciation and amortization, stock-based compensation, interest expense, investment income, income tax provision, SAFE holder settlement, and other non-recurring charges. We use adjusted EBITDA to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that adjusted EBITDA, when taken together with our GAAP financial results, provides meaningful supplemental information regarding our operating performance by excluding certain items that may not be indicative of our business, results of operations or outlook. We consider adjusted EBITDA to be an important measure because it helps illustrate underlying trends in our business and our historical operating performance on a more consistent basis. We define adjusted EBITDA margin as adjusted EBITDA as a percentage of total revenue.

Our calculation of adjusted EBITDA may differ from the calculations of adjusted EBITDA by other companies and therefore comparability may be limited. Because of these limitations, when evaluating our performance, you should consider adjusted EBITDA alongside other financial performance measures, including our net loss and other GAAP results.

The following table presents a reconciliation of net loss, the most directly comparable financial measure stated in accordance with GAAP, to adjusted EBITDA for each of the periods presented:

	For the Years Ended December 31,	
	2023	2022
	(in thousands, except percentages)	
Net loss	\$ (59,713)	\$ (51,398)
Adjustments:		
Depreciation and amortization	24,912	20,151
Stock-based compensation <sup>(1)</sup>	25,052	17,049
Interest expense and investment income	1,808	3,324
Income tax benefit	—	(39)
SAFE holder settlement	—	1,500
Non-recurring professional services	411	—
Workforce reduction and related severance charges	3,616	—
Adjusted EBITDA	\$ (3,914)	\$ (9,413)
Adjusted EBITDA Margin	(4)%	(11)%

<sup>(1)</sup> During the year ended December 31, 2023, \$125 thousand of stock-based compensation expense is classified as workforce reduction and related severance charges in the table above as it was incurred as part of our restructuring program. See Note 15 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information regarding restructuring charges.

### Liquidity and Capital Resources

Since inception, we have financed operations primarily through payments received from our customers and, in later periods from the net proceeds from our IPO. As of December 31, 2023 and December 31, 2022, our principal sources of liquidity were cash, short-term investments and restricted cash, current and restricted cash, non-current of \$33.4 million and \$69.7 million, respectively. In general, our restricted cash may only be used to pay down our credit facility.

We believe that our existing cash, cash equivalents, and short-term investments, together with cash provided by operations and our revolving credit facility, will be sufficient to support our working capital and capital expenditure requirements for at least the next 12 months. Our material cash requirements include contractual and other obligations under our credit facility, finance and operating lease agreements, and purchase commitments as discussed below. Our future capital requirements will depend on many factors, including our total revenue growth rate, the timing and the amount of cash received from customers, the expansion of sales and marketing activities, the timing and extent of spending to support development efforts, the potential expansion of our data centers, the price at which we are able to purchase or lease infrastructure equipment, the introduction of platform enhancements, and the continuing market adoption of our platform. In the future, we may enter into arrangements to acquire or invest in complementary businesses, products, and technologies. We plan to enter into finance lease agreements for purchase of infrastructure equipment and may also be required or choose to seek additional equity or debt financing in addition to our existing credit facility. In the event that we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued innovation, we may not be able to compete successfully, which would harm our business, results of operations, and financial condition.

In October 2021, we entered into a revolving credit agreement (as amended to date, the “RCA”) with City National Bank (the “Lender”). Under the RCA, as amended in April 2022, among other things, (i) amounts available to be borrowed are \$30.0 million and (ii) advances on the line of credit will bear interest at a variable rate equal to, at our discretion, (a) the average Secured Overnight Financing Rate (“SOFR”) plus 2.75%, or (b) the base rate. The base rate under the RCA is a rate equal to the greater of (i) 3.00% or (ii) the prime rate most recently announced by the Lender. In January 2023, we entered into a third amendment related to the RCA. Under this amendment, advances on the line of credit will bear interest at a variable rate equal to, at our discretion, (1) SOFR plus 2.00%, or (b) the base rate, as originally defined in the RCA. In December 2023, we entered into a fourth amendment related to the RCA. Under this amendment, the maximum borrowing available was reduced from \$30 million to \$20 million. Furthermore, advances on the line of credit will bear monthly interest at a variable rate equal to, at our discretion, (a) the average SOFR plus 2.75%, or (b) the base rate.

The RCA matures in December 2025. Currently, the RCA does not have financial covenants and it requires us to hold collateral in the form of a lien prior to any advance. In the future, we may refinance this credit facility but may not be able to do so on terms acceptable to us or at all. Any such failure to obtain financing when needed could have a material adverse effect upon our liquidity and business. Due to the banking failures starting in March of 2023, we have seen an adverse change for securing acceptable terms due to heightened uncertainty and risk aversion in the financial sector.

As of December 31, 2023, the outstanding balance of our line of credit was \$4.1 million, and the amount available to us was \$15.9 million. In addition, the interest rate for our credit line was 8.1% as of December 31, 2023. The outstanding balance is collateralized by an equal amount of cash held, which we are obligated to hold as restricted cash. For further details, see Note 11 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

We use City National Bank, a subsidiary of RBC, for our banking needs. In the event of a failure of any financial institutions where we maintain deposits, we may lose timely access to our funds at such institutions and incur significant losses to the extent our funds exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation. In addition, the disruption and uncertainty impacting the banking industry from failures of other banks resulted in some reduced access to capital, increased costs of capital, and reduced opportunities to invest with investment grade securities, which may have also resulted in lower investment yields and investment income. Any further impact could have a material adverse effect upon our liquidity and business.

We generally enter into finance lease arrangements to obtain hard drives and related equipment for our data center operations. We also generally enter into leases for our facilities for data centers and office space under non-cancelable operating leases with various expiration dates. As of December 31, 2023, our future minimum commitments for these finance leases and lease financing obligations including interest were \$20.9 million and \$14.2 million for the year ending December 31, 2024 and thereafter, respectively. The weighted average discount rate for finance leases was 11.0% as of December 31, 2023.

As of December 31, 2023, our future minimum commitments for operating leases, which include both lease and non-lease components, were \$6.6 million for the year ending December 31, 2024 and \$23.7 million thereafter. For further information and our future minimum commitments on our finance leases and operating leases, see Note 10 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

In addition, we have purchase commitments that relate mainly to infrastructure agreements used to facilitate our operations. As of December 31, 2023, we had non-cancelable purchase commitments of \$1.2 million and \$0.6 million payable for the years ending December 31, 2024 and 2025, respectively.

The following table shows a summary of our cash flows for the periods presented:

	For the Years Ended December 31,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	\$ (7,350)	\$ (13,781)
Net cash provided by (used in) investing activities	21,657	(73,854)
Net cash used in financing activities	(8,842)	(6,212)

### *Operating Activities*

Our largest source of operating cash is payments received from our customers. Our primary uses of cash from operating activities are for personnel-related expenses, sales and marketing expenses, infrastructure expenses, and overhead expenses.

Cash flows from operating activities primarily consist of our net loss adjusted for certain non-cash items, including stock-based compensation, depreciation, and amortization of property and equipment, amortization of capitalized internal-use software, net, and changes in operating assets and liabilities during each period.

For the year ended December 31, 2023, cash used in operating activities was \$7.4 million, which resulted from a net loss of \$59.7 million, adjusted for non-cash charges of \$52.8 million and a net cash outflow of \$0.4 million from changes in

operating assets and liabilities. Non-cash charges primarily consisted of \$24.9 million for depreciation and amortization expense and \$25.2 million for stock-based compensation expense. The net cash outflow from changes in operating assets and liabilities was primarily the result of a \$2.5 million decrease in operating lease liabilities, a \$1.4 million decrease in accrued expenses and other current liabilities, which decreased primarily due to our accrued compensation and due to timing of payment of our expenses, a \$0.4 million increase in other assets, a \$0.4 million increase in prepaid and other current assets and a \$0.3 million decrease in accounts payable, offset in part by a \$4.5 million increase of deferred revenue, which increased due to our growing customer base and upfront collections from our customers. Cash used in operations decreased during the year ended December 31, 2023, as compared to the same period in 2022 primarily due to our growing customer base, increased storage from existing customers, and the price increase that began to take effect in October 2023, partially offset by increased expenditures related to managing and operating our co-location facilities, and increased spending in support of our expanded research and development and sales and marketing spending to support business growth.

For the year ended December 31, 2022, cash used in operating activities was \$13.8 million, which resulted from a net loss of \$51.4 million, adjusted for non-cash charges of \$38.8 million and a net cash outflow of \$1.2 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of \$20.2 million for depreciation and amortization expense and \$17.0 million for stock-based compensation expense. The net cash outflow from changes in operating assets and liabilities was primarily the result of a \$2.5 million decrease in operating lease liabilities and \$1.0 million decrease in accrued expenses and other current liabilities, which decreased primarily due to timing of payment of our expenses, offset in part by a \$1.6 million increase in accounts payable and a \$1.0 million decrease in other assets.

### ***Investing Activities***

Cash provided by investing activities during the year ended December 31, 2023 was \$21.7 million, resulting primarily from \$67.9 million from the maturity of our short-term investments and \$0.4 million proceeds from the disposal of property and equipment, offset in part by the purchase of short-term maturity investments of \$26.4 million, \$14.7 million related to the development of software for adding new features and enhanced functionality to our platform and capital expenditures of \$5.5 million in support of infrastructure deployments to support our growing business.

Cash used in investing activities during the year ended December 31, 2022 was \$73.9 million, resulting primarily from the purchase of short-term maturity investments of \$145.9 million, capital expenditures of \$7.3 million in support of infrastructure deployments to support our growing business, and \$8.6 million related to the development of software for adding new features and enhanced functionality to our platform, offset in part by \$88.0 million from the maturity of our short-term investments.

### ***Financing Activities***

Cash used in financing activities for the year ended December 31, 2023 was \$8.8 million. Cash used in financing activities was primarily due to principal payments on our finance lease agreements and lease financing obligations of \$19.5 million related to hard drives and other infrastructure equipment used in our co-location facilities, \$4.5 million repayment of principal on our line of credit, \$1.5 million related to repayment of principal on financed insurance premiums, offset in part by \$4.7 million in proceeds from the exercise of employee stock options, \$4.5 million from our lease financing transactions, \$4.3 million in proceeds from our credit facility, \$2.3 million in proceeds from our ESPP, and \$0.9 million of proceeds from insurance premium financing.

Cash used in financing activities for the year ended December 31, 2022 was \$6.2 million. Cash used in financing activities was primarily due to principal payments on our finance lease agreements and lease financing obligations of \$16.5 million related to hard drives and other infrastructure equipment used in our co-location facilities and \$0.7 million related to payments made for offering costs that are deferred, offset in part by \$4.3 million in proceeds from the exercise of employee stock options, \$4.3 million in proceeds from our credit facility, and \$2.5 million in proceeds from our ESPP.

### **Contractual Obligations and Commitments**

Our commitments are associated with contracts that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions, and the approximate timing of the actions under the contracts. Operating lease commitments relate primarily to our rental of office space and co-location facilities. Our finance lease commitments relate primarily to our infrastructure equipment. Purchase commitments

relate mainly to infrastructure agreements and subscription arrangements used to facilitate our operations. For more information, see Note 10 to our consolidated financial statements located elsewhere in this Annual Report on Form 10-K.

### **Critical Accounting Policies and Estimates**

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

We believe that the accounting policies described below involve a substantial degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of operations. For further information, see Note 2 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

#### ***Revenue Recognition***

The Backblaze Storage Cloud provides the core platform for our B2 Cloud Storage and Computer Backup offerings. We derive our revenue primarily from fees earned from customers accessing these offerings through our platform, paid monthly in arrears for consumption-based arrangements for B2 Cloud Storage, or charged upfront for subscription-based arrangements for Backblaze Computer Backup. We provide services to our customers under subscription-based arrangements of one month, one year, and two years, which automatically renew at the end of the respective term. We also provide a B2 Cloud Storage subscription-based offering for which arrangements range from one to five years.

We also recognize revenue from products offered to our customers for the ability to securely restore data using a USB drive (“USB Restore”) and for migrating large data sets to our platform using our proprietary Fireball device. We refer to these products as our Physical Media revenue. Physical Media revenue was approximately less than 1% of our total revenue for the years ended December 31, 2023 and 2022.

Our monthly subscription arrangements do not provide customers with refund rights. One to five-year subscription arrangements are eligible for a full refund for up to 30 days after subscribing. For Physical Media revenue, we offer a full refund to our customers restoring data using USB drives, if the drives are returned to us within 30 days of receipt. We recognize revenue net of our estimate of expected customer cancellations and returns. These estimates involve inherent uncertainties and use of management’s judgment.

As we provide our offerings as a hosted service, we do not provide customers the contractual right to take possession of the software at any time, do not incur set up costs, nor charge an installation fee to new customers.

We determine revenue recognition through the following five steps, which include inherent estimates:

1. *Identify the contract with a customer.* We apply judgment in determining the customer’s ability and intent to pay, which is based on a variety of factors, including the customer’s payment history; however, as approximately 92% and 96% of our revenue was generated from customers paying via credit card during the years ended December 31, 2023 and 2022, respectively, the risk of non-payment is reduced.
2. *Identify the performance obligations in the contract.* Performance obligations promised in a contract are identified based on the services and products that will be transferred to the customer that are both capable of being distinct and are distinct in the context of the contract. Our contracts typically contain a single distinct performance obligation representing our Backblaze Storage Cloud platform offerings, which includes Computer Backup and B2 Cloud Storage services and customer support.
3. *Determine the transaction price.* The transaction price is determined based on the consideration we expect to receive in exchange for transferring services to the customer. Variable consideration, which contains estimates made by us, is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue

recognized under the contract will not occur. Certain fees that are considered consideration payable to a customer are accounted for as a reduction of the transaction price.

4. *Allocate the transaction price to performance obligations in the contract.* We determine the relative standalone selling price for performance obligations based on the price we sell a good or service for separately.

5. *Recognize revenue when or as we satisfy a performance obligation.* Revenue is recognized when control of the services is transferred to the customers, in an amount that reflects the consideration that we expect to receive in exchange for those services. Performance obligations are satisfied over time as the customer simultaneously receives and consumes the benefits as the entity performs. Revenue is generally recognized over the common measure of progress (i.e., time-based or consumption-based) for the entire performance obligation.

For revenue generated from arrangements that involve third-parties, we evaluate whether we are the principal or the agent based on maintaining control over the services being provided and maintaining the relationship with the end-customer. Substantially all of our revenue is reported on a gross basis, as we are the principal.

### ***Stock-Based Compensation***

All stock-based compensation to employees is measured on the grant date based on the fair value of the awards on the date of grant. We recognize compensation cost for awards on a straight-line basis over the requisite service period, which is up to a four-year vesting period. Share-based compensation includes restricted stock units, stock option grants and stock purchase rights under the Employee Stock Purchase Plan (ESPP). For grants made after our IPO, we use our publicly traded Class A common stock price to determine the fair value of our Class A common stock. The amount of stock-based compensation recognized is mainly determined by headcount and the fair value of our Class A common stock. Over the period of December 31, 2021 to December 31, 2023, we experienced rapid headcount growth, and generally lower valuations of our shares resulting in higher levels of stock-based compensation as a percentage of revenue.

If an award contains a provision whereby vesting is accelerated upon a change in control, we recognize stock-based compensation expense on a straight-line basis, as a change in control is considered to be outside of our control and is not considered probable until it occurs. Forfeitures are accounted for in the period in which they occur.

We use the Black-Scholes option pricing model to estimate the fair value of our stock options and stock purchase rights under our ESPP. The Black-Scholes option pricing model requires the use of complex assumptions, which determine the fair value of stock-based awards. Our option-pricing model requires the input of certain assumptions, including the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions used in our option-pricing model represent our best estimates. These estimates involve inherent uncertainties and the application of judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to our estimates, which could materially impact our future stock-based compensation expense.

### ***Capitalized Internal-Use Software, Net***

We capitalize qualifying software development costs related to new features and enhancements to the functionality of our platform and related products. The costs consist of personnel costs (including related benefits and stock-based compensation) that are incurred during the application development stage.

We review capitalization criteria for each project individually. Capitalized costs are amortized over the estimated useful life of the software, which is five years, on a straight-line basis, which represents the manner in which the expected benefit will be derived. We determine the useful lives of identifiable project assets after considering the specific facts and circumstances related to each project. The amortization of costs related to the platform applications is included in cost of revenue in the statements of operations.

Significant judgments related to the capitalization of internal use software costs include determining whether it is probable that projects will result in new or additional functionality.



## Recent Accounting Pronouncements

See the sections titled “Basis of Presentation and Summary of Significant Accounting Policies—Accounting Pronouncements Recently Adopted” and “Basis of Presentation and Summary of Significant Accounting Policies—Recently Issued Accounting Pronouncements” in Note 2 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information.

## JOBS Act Accounting Election

We are an emerging growth company, as defined in the Jumpstart Our Business Startups (JOBS) Act. For so long as we continue to be an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not 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, 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. The JOBS Act also provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards applicable to public companies. This provision allows an emerging growth company to delay the adoption of some accounting standards unless and until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act for the adoption of accounting standards until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates.

### *Interest Rate Risk*

Our exposure to interest rate risk primarily relates to our finance lease arrangements and lease financing obligations for obtaining hard drives and related equipment for our data center operations, which may be impacted by interest rate changes for any future agreements we enter in to, and our credit facility with City National Bank. We also earn interest income generated by cash, cash equivalents and short-term investments held at City National Bank. As of December 31, 2023, we had cash and cash equivalents and short-term investments balances of \$12.5 million and \$16.8 million, respectively. Interest-earning instruments carry a degree of interest rate risk. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. As such, we generally do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure, and intend to hold all investments to their respective maturities. Due to the short-term nature of these investments and as all investments are generally intended to be held-to-maturity, we do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our operating results or financial condition.

Further, our credit facility with City National Bank, which was initially entered into during October 2021, as amended, is at a variable interest rate tied, at our discretion, to SOFR or to the prime rate most recently announced by City National Bank, assuming such rate is greater than 3.0%.

### *Foreign Currency Exchange Rate Risk*

Our reporting currency and the functional currency of our wholly owned foreign subsidiary is the U.S. dollar. Our sales are currently denominated in the U.S. dollar and we have minimal foreign currency risk related to our revenue. In addition, most of our operating expenses are denominated in the U.S. dollar, resulting in minimal foreign currency risks. The volatility of exchange rates depends on many factors that we cannot accurately forecast. In the future, if our international sales increase or more of our expenses are denominated in currencies other than the U.S. dollar, our operating results may be adversely affected by fluctuations in the exchange rates of the currencies in which we do business. At this time we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities could have on our results of operations.

Item 8. Financial Statements and Supplementary Data

BACKBLAZE, INC.

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## **Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors  
Backblaze, Inc.  
San Mateo, California

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Backblaze, Inc. (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of operations, changes in stockholders’ equity, and cash flows for each of the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, P.C.

We have served as the Company’s auditor since 2020.  
San Jose, California  
March 29, 2024

**BACKBLAZE, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	December 31,	
	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 12,502	\$ 6,690
Accounts receivable, net	800	856
Short-term investments, net	16,799	58,733
Prepaid expenses and other current assets	8,413	8,120
Total current assets	38,514	74,399
Restricted cash, non-current	4,128	4,306
Property and equipment, net	45,600	49,375
Operating lease right-of-use assets	9,980	6,881
Capitalized internal-use software, net	32,521	16,704
Other assets	944	793
Total assets	\$ 131,687	\$ 152,458
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,281	\$ 3,283
Accrued expenses and other current liabilities	8,460	9,418
Finance lease liabilities and lease financing obligations, current	18,492	18,531
Operating lease liabilities, current	1,878	2,130
Deferred revenue, current	25,976	22,912
Total current liabilities	57,087	56,274
Finance lease liabilities and lease financing obligations, non-current	13,310	15,487
Operating lease liabilities, non-current	8,151	5,032
Deferred revenue, non-current	4,073	2,611
Debt facility, non-current	4,128	4,306
Total liabilities	\$ 86,749	\$ 83,710
Commitments and contingencies (Note 10)		
<b>Stockholders' Equity</b>		
Class A common stock, \$0.0001 par value; 113,000,000 shares authorized as of December 31, 2023 and 2022; 39,150,610 and 16,198,333 shares issued and outstanding as of December 31, 2023 and 2022, respectively.	4	2
Class B common stock, \$0.0001 par value; 295,986 and 37,000,000 shares authorized as of December 31, 2023 and 2022; zero and 17,195,404 shares issued and outstanding as of December 31, 2023 and 2022, respectively.	—	2
Additional paid-in capital	192,388	156,485
Accumulated deficit	(147,454)	(87,741)
Total stockholders' equity	44,938	68,748
Total liabilities and stockholders' equity	\$ 131,687	\$ 152,458

*See accompanying notes, which are an integral part of these consolidated financial statements.*

**BACKBLAZE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except share and per share data)

	For the Years Ended December 31,	
	2023	2022
Revenue	\$ 102,019	\$ 85,155
Cost of revenue	52,162	41,292
Gross profit	49,857	43,863
Operating expenses:		
Research and development	39,527	33,107
Sales and marketing	41,270	35,399
General and administrative	26,965	23,470
Total operating expenses	107,762	91,976
Loss from operations	(57,905)	(48,113)
Investment income	1,984	965
Interest expense	(3,792)	(4,289)
Loss before provision for income taxes	(59,713)	(51,437)
Income tax benefit	—	(39)
Net loss	\$ (59,713)	\$ (51,398)
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	\$ (1.66)	\$ (1.62)
Weighted average shares used in computing net loss per share attributable to Class A and Class B common stockholders, basic and diluted <sup>(1)</sup>	36,011,446	31,662,301

<sup>(1)</sup> On July 6, 2023, all shares of the Company's then outstanding Class B common stock were automatically converted into the same number of shares of Class A common stock, pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation. No additional shares of Class B common stock will be issued following such conversion. See Note 12 for further details.

*See accompanying notes, which are an integral part of these consolidated financial statements.*

**BACKBLAZE, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(in thousands, except share data)

	Class A and Class B Common Stock <sup>(1)</sup>		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
<b>Balance as of December 31, 2021</b>	30,384,834	\$ 3	\$ 131,826	\$ (36,343)	\$ 95,486
Net loss	—	—	—	(51,398)	(51,398)
Issuance of Class A and Class B common stock upon exercise of stock options	2,112,819	1	4,407	—	4,408
Issuance of Class A common stock under 2021 Plan, net of taxes withheld	321,720	—	(130)	—	(130)
Issuance of Class A common stock related to the 2021 Employee Stock Purchase Plan ("ESPP")	574,364	—	2,511	—	2,511
Stock-based compensation	—	—	17,871	—	17,871
<b>Balance as of December 31, 2022</b>	33,393,737	\$ 4	\$ 156,485	\$ (87,741)	\$ 68,748
Net loss	—	—	—	(59,713)	(59,713)
Issuance of Class A common stock upon exercise of stock options	2,446,846	—	4,613	—	4,613
Issuance of Class A common stock under 2021 Plan	2,327,073	—	—	—	—
Issuance of Class A common stock related to ESPP	695,046	—	2,339	—	2,339
Issuance of restricted stock units related to the 2022 Bonus Plan (See Note 13)	287,908	—	1,848	—	1,848
Stock-based compensation	—	—	27,103	—	27,103
<b>Balance as of December 31, 2023</b>	39,150,610	\$ 4	\$ 192,388	\$ (147,454)	\$ 44,938

<sup>(1)</sup> On July 6, 2023, all shares of the Company's then outstanding Class B common stock were automatically converted into the same number of Class A common stock, pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation. No additional shares of Class B common stock will be issued following such conversion. See Note 12 for further details.

*See accompanying notes, which are an integral part of these consolidated financial statements.*

**BACKBLAZE INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	For the Years Ended December 31,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (59,713)	\$ (51,398)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net accretion of discount on investment securities and net realized investment gains	417	(863)
Noncash lease expense on operating leases	2,350	2,457
Depreciation and amortization	24,912	20,151
Stock-based compensation	25,177	17,049
Impairment of capitalized internal-use software	232	—
(Gain) loss on disposal of assets	(292)	37
Changes in operating assets and liabilities:		
Accounts receivable	56	(547)
Prepaid expenses and other current assets	(445)	(379)
Other assets	(389)	1,001
Accounts payable	(295)	1,627
Accrued expenses and other current liabilities	(1,422)	(970)
Deferred revenue	4,526	670
Operating lease liabilities	(2,464)	(2,547)
Other long-term liabilities	—	(69)
Net cash used in operating activities	(7,350)	(13,781)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of marketable securities	(26,358)	(145,871)
Maturities of marketable securities	67,874	88,000
Proceeds from disposal of property and equipment	369	—
Purchases of property and equipment	(5,512)	(7,349)
Capitalized internal-use software costs	(14,716)	(8,634)
Net cash provided by (used in) investing activities	21,657	(73,854)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on finance lease and lease financing obligations	(19,510)	(16,492)
Payments of deferred offering costs	—	(658)
Proceeds from debt facility	4,273	4,305
Repayment of debt facility	(4,450)	—
Proceeds from insurance premium financing	893	—
Principal payments on insurance premium financing	(1,545)	—
Proceeds from lease financing obligations	4,450	—
Employee payroll taxes paid related to net settlement of equity awards	—	(130)
Proceeds from exercises of stock options	4,708	4,252
Proceeds from ESPP	2,339	2,511
Net cash used in financing activities	(8,842)	(6,212)
Net increase (decrease) in cash, restricted cash and restricted cash, non-current	5,465	(93,847)
Cash, restricted cash, current and restricted cash, non-current at beginning of period	11,165	105,012
Cash, restricted cash, current and restricted cash, non-current at end of period	\$ 16,630	\$ 11,165
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 3,733	\$ 3,776
Cash paid for income taxes	\$ 59	\$ 31
Cash paid for operating lease liabilities	\$ 2,801	\$ 2,838
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Stock-based compensation included in capitalized internal-use software	\$ 4,960	\$ 2,674
Accrued bonus settled in restricted stock units	\$ 1,848	\$ —
Accrued bonus classified as stock-based compensation	\$ 3,034	\$ 1,852
Financed insurance premiums included in accrued expenses and other current liabilities	\$ —	\$ 1,545
Equipment acquired through finance lease and lease financing obligations	\$ 13,094	\$ 17,037
Accruals related to purchases of property and equipment	\$ 60	\$ 158



Lease liabilities arising from right-of-use assets upon adoption of ASC 842	\$	—	\$	5,220
Assets obtained in exchange for operating lease obligations	\$	5,448	\$	4,118
Receivable recorded due to stock option exercises pending settlement	\$	18	\$	156
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>				
Cash and cash equivalents	\$	12,502	\$	6,690
Restricted cash – included in prepaid expenses and other current assets	\$	—	\$	169
Restricted cash, non-current	\$	4,128	\$	4,306
Total cash, cash equivalents, restricted cash, current and restricted cash, non-current	\$	16,630	\$	11,165

*See accompanying notes, which are an integral part of these consolidated financial statements.*

**BACKBLAZE INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Note 1. Organization and Description of Business*****Description of Business***

Backblaze, Inc. and its subsidiaries (collectively, “Backblaze” or the “Company”) is a storage cloud platform, providing businesses and consumers with solutions to store and use their data. Backblaze provides these cloud services through purpose-built, web-scale software built on commodity hardware. Backblaze was incorporated in the state of Delaware on April 20, 2007 and is headquartered in San Mateo, California.

**Note 2. Basis of Presentation and Summary of Significant Accounting Policies*****Basis of Presentation***

The accompanying consolidated financial statements and accompanying notes have been prepared in conformity with generally accepted accounting principles in the United States of America (“GAAP”) and include the accounts of the Company and its wholly-owned subsidiaries, including the formation of Backblaze Netherlands B.V. and Backblaze Worldwide, Inc. subsidiaries in 2023. All intercompany balances and transactions have been eliminated in consolidation. The Company’s fiscal year ends on December 31.

***Emerging Growth Company***

The Company is an emerging growth company (“EGC”), as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Under the JOBS Act, EGCs can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an EGC or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates. The Company expects to use the extended transition period for any other new or revised accounting standards during the period in which it remains an EGC.

***Segment Information***

The Company has a single operating and reportable segment. In reaching this conclusion, management considers the definition of the chief operating decision maker (“CODM”), how the business is defined by the CODM, the nature of the information provided to the CODM and how that information is used to make operating decisions, allocate resources and assess performance. The Company’s chief operating decision maker is its Chief Executive Officer (“CEO”), who reviews financial information presented on an aggregated basis for purposes of making operating decisions, assessing financial performance and allocating resources.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and the accompanying notes. Such estimates and assumptions include the costs to be capitalized as internal-use software, which include determining whether projects will result in new or additional functionality, the useful lives of other long-lived assets, impairment considerations for long-lived assets, the incremental borrowing rate for lease agreements, lease and non-lease component allocation, estimates related to variable consideration, valuation of the Company’s Employee Stock Purchase Plan (“ESPP”) expense, and accounting for taxes, including estimates for deferred tax assets, valuation

allowance, and uncertain tax positions. The Company bases its estimates on historical experience and on assumptions that management considers reasonable. Future actual results could differ materially from these estimates.

### Foreign Currency

The reporting currency of the Company is the United States dollar (“USD”). The functional currency of the Company and its subsidiaries is USD. Transaction gains and losses that arise from exchange rate fluctuations on monetary transactions denominated in a currency other than the functional currency are included in general and administrative on the consolidated statements of operations when realized.

### Concentrations and Risks and Uncertainties

**Liquidity.** The Company believes that its existing cash, cash equivalents and short-term investments together with cash provided by operations, will be sufficient to support its working capital and capital expenditure requirements for at least the next 12 months. However, to achieve its continued growth and objectives, the Company will need to obtain additional sources of financing which may include entering into lease agreements, sale-leaseback arrangements, credit facilities, and other debt financing arrangements for the purpose of acquiring infrastructure equipment and to fund its operations. In the event that the Company requires additional financing, it may not be able to raise such financing on terms acceptable to us or at all. If the Company is unable to obtain additional sources of financing, raise additional capital or generate cash flows necessary to expand its operations and invest in continued innovation, it may not be able to compete successfully, which would harm its business, results of operations and financial condition.

**Credit risk.** Financial instruments that potentially subject the Company to credit risk primarily consist of cash, cash equivalents, accounts receivable, short-term investments, and unbilled accounts receivable. The Company maintains its cash, restricted cash, and short-term investments with high-quality financial institutions with investment-grade ratings. In the event of a failure of any financial institutions where the Company maintains deposits, it may lose timely access to its funds at such institutions and incur significant losses to the extent its funds exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation. Deposits with these financial institutions may exceed the amount of insurance provided on such deposits. For accounts receivable, the Company is exposed to credit risk in the event of nonpayment by customers to the extent of the amount recorded on the consolidated balance sheets. In addition, the Company uses City National Bank, a subsidiary of Royal Bank of Canada (“RBC”), for its banking needs. While the Company and its bank has not been directly affected by the failures of certain banks, the banking industry overall has experienced disruption and uncertainty, which could put additional pressures on the Company’s bank and other banks, and may negatively impact the availability and costs for various banking and investment offerings. The Company does not have separate collateral requirements to support financial instruments subject to credit risk.

**Vendors.** The Company acquires infrastructure equipment from third party vendors. Vendors may have limited sources of equipment and supplies which may expose the Company to potential supply and service disruptions that could harm the Company’s business.

	For the Years Ended December 31,	
	2023	2022
<b>Cash disbursement concentration</b>		
Number of vendors	2	2
Total cash disbursements represented by vendors listed above	21%	25%
	December 31,	
	2023	2022
<b>Accounts payable concentration</b>		
Number of vendors	2	2
Total accounts payable balance represented by vendors listed above	30%	26%

**Revenue.** The Company derives substantially all of its revenue from the services operating on its Backblaze Storage Cloud platform: its Backblaze B2 Cloud Storage (“B2 Cloud Storage”) and Backblaze Computer Backup (“Computer Backup”) offerings. The potential for severe impact to the Company’s business could result if the Company was unable to operate its platform or serve customers through its platform, for an extended period of time.

## ***Restructuring***

Restructuring costs are comprised of severance costs related to workforce reductions. The Company recognizes restructuring charges when the liability is incurred. For involuntary terminations, employee termination benefits are accrued at the date (i) management has committed to a plan of termination, which includes identification of employees to be terminated and related information, (ii) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn, and (iii) employees have been notified of their termination dates and expected severance payments. For voluntary terminations, the Company recognizes a liability when the termination benefit has been irrevocably accepted by the employee.

## ***Revenue Recognition***

The Backblaze Storage Cloud provides the core platform for the Company's B2 Cloud Storage and its Computer Backup offerings. The Company derives its revenue primarily from fees earned from customers accessing these offerings through its platform. These fees are paid monthly in arrears for its consumption-based arrangements related to its B2 Cloud Storage offering, or charged upfront for subscription-based arrangements related to its Computer Backup and B2 Cloud Storage offerings. The Company provides services to its customers under Computer Backup subscription-based arrangements of one month, one-year, and two-years, which automatically renew at the end of the respective term. The Company generally provides services to its customers under its B2 Cloud Storage subscription-based offering arrangements of one-year to five-years.

The Company also recognizes revenue from products offered to its customers for the ability to securely restore data using a USB drive ("USB Restore") and for migrating large data sets to its platform using its proprietary Fireball device. The Company refers to these products as its "Physical Media revenue". Physical Media revenue was less than 1% of the Company's revenue for the years ended December 31, 2023 and 2022.

The Company's monthly subscription arrangements do not provide customers with refund rights. One to five-year subscription arrangements are eligible for a full refund up to 30 days after subscribing. For its Physical Media revenue, the Company offers a full refund to its customers restoring data using a USB drive, if the drives are returned to the Company within 30 days of receipt. The Company recognizes revenue net of its estimate of expected customer cancellations, returns, and discounts. These estimates involve inherent uncertainties and use of management's judgment.

While the majority of the Company's customers pay via credit card, amounts that have been invoiced are recorded in accounts receivable and in revenue, or deferred revenue, depending on whether appropriate revenue recognition criteria have been met. As the Company provides its offerings as a hosted service, it does not provide customers the contractual right to take possession of the software at any time, does not incur set up costs, and does not charge an installation fee for its new customers.

The Company determines revenue recognition through the following five steps:

1. *Identify the contract with a customer.* The Company considers the terms and conditions of the contracts and its customary business practices in identifying its contracts under ASC 606. The Company determines it has a contract with a customer when:

- the contract has been approved by both parties,
- it can identify each party's rights regarding the services to be transferred and the payment terms for the services,
- it has determined the customer to have the ability and intent to pay, and
- the contract has commercial substance.

The Company applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors; however, as approximately 92% and 96% of the Company's revenue was generated from customers paying via credit card during the years ended December 31, 2023 and 2022, respectively, the risk of non-payment is low and historical write-offs having been immaterial.

2. *Identify the performance obligations in the contract.* Performance obligations promised in a contract are identified based on the services and products that will be transferred to the customer that are both capable of being distinct and are distinct in the context of the contract. The Company's contracts typically contain a single distinct performance obligation

representing one of its Backblaze Storage Cloud platform offerings, which includes either B2 Cloud Storage or Computer Backup services and related customer support. Customers also have the option to purchase a USB device for USB Restore and rental of its Fireball device at the standalone selling price (“SSP”).

*3. Determine the transaction price.* The transaction price is determined based on the consideration the Company expects to receive in exchange for transferring services to the customer. Variable consideration is included in the transaction price if, in the Company’s judgment, it is probable that a significant future reversal of cumulative revenue recognized under the contract will not occur. The Company’s variable consideration includes consumption-based revenue and revenue arrangements that offer the right of return. The Company offers a 30 day right of return for its 1 to 5-year subscription-based arrangements and records a refund liability based on historical return data. Certain fees that are considered consideration payable to a customer are accounted for as a reduction of the transaction price. None of the Company’s contracts contain a significant financing component. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental entities (e.g., sales and other indirect taxes).

*4. Allocate the transaction price to performance obligations in the contract.* Contracts that contain multiple distinct performance obligations require an allocation of the transaction price to each performance obligation based on a relative SSP. The Company determines SSP for performance obligations based on the price it sells a good or service separately.

*5. Recognize revenue when or as the Company satisfies a performance obligation.* Revenue is recognized based on the output method when control of the services is transferred to the customer and in an amount that reflects the consideration the Company expects to receive in exchange for those services. Performance obligations are satisfied over time when the customer simultaneously receives and consumes the benefits as the entity performs. Revenue is generally recognized over the common measure of progress (i.e., time-based or consumption-based) for the entire performance obligation. Revenue from subscription-based arrangements is recognized on a straight-line basis over the contractual term beginning on the date that the service commences, as customers are entitled to the same benefits throughout the contractual term. Fees from consumption-based arrangements are recognized as services are delivered based on the amount of daily storage consumed. Revenue for USB Restore is recognized as USB devices are delivered to customers, and recognition of the Company’s Fireball device rental is time-based.

The Company also offers a 15-day free trial period for its Computer Backup subscription-based arrangements and it does not enter into a contract with the customer during this trial period. Separately, under its consumption-based arrangements, the Company does not charge customers until at least 10 gigabytes of data have been stored.

The Company applied the optional exemption of not disclosing the transaction price allocated to the remaining performance obligations for its consumption-based contracts and contracts with original duration of one year or less. The non-current deferred revenue balance of \$4.1 million on the Company’s consolidated balance sheet as of December 31, 2023 will be recognized starting in 2025 and going forward. As of December 31, 2022, the Company’s non-current deferred revenue balance was \$2.6 million, which will be recognized in 2024.

For revenue generated from arrangements that involve third-parties, the Company evaluates whether it is the principal or the agent based on maintaining control over the services being provided and maintaining the relationship with the end-customer. Substantially all of the Company’s revenue is reported on a gross basis, as the Company is the principal.

### ***Cost of Revenue***

Cost of revenue includes costs directly associated with the delivery of services and products, which consists of expenses for providing Backblaze’s platform to its customers. These expenses include rent and utilities for operating in co-location facilities, network and bandwidth costs, shipping and handling for Physical Media revenue, depreciation of the Company’s equipment and capital lease assets in co-location facilities and other infrastructure expenses incurred in connection with its customers’ use of its services. The Company periodically receives discounts from third-party vendors that are recorded as a reduction to cost of revenue on its consolidated statements of operations. Personnel-related costs associated with customer support and maintaining service availability include salaries, benefits, bonuses and stock-based compensation. Cost of revenue also includes credit card processing fees, amortization of capitalized internal-use software development costs and allocated overhead costs.

### ***Research and Development Costs***

Research and development costs consist primarily of personnel-related expenses associated with the Company's research and development staff, including salaries, benefits, bonuses and stock-based compensation. Research and development costs also include consultants or professional services fees, costs related to the support and maintenance of systems used in product development, subscription services for use by its research and development organization and an allocation of its overhead costs. Research and development costs are generally expensed as incurred, unless they qualify as capitalized internal-use software.

### ***Advertising Costs***

Advertising costs are expensed as incurred and are included in sales and marketing expenses in the consolidated statements of operations. These costs were approximately \$3.6 million and \$5.7 million for the years ended December 31, 2023 and 2022, respectively.

### ***Income Taxes***

The Company accounts for income taxes using the asset and liability method. Deferred income taxes are recognized by applying the enacted statutory tax rates applicable to future years to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss and tax credit carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance to amounts that are more likely than not to be realized.

Where interpretation of the tax law may be uncertain, the Company recognizes, measures and discloses income tax uncertainties. The Company accounts for interest expense and penalties related to unrecognized tax benefits as income tax expense in its consolidated statements of operations. The Company is subject to periodic audits by the Internal Revenue Service and other taxing authorities, which may challenge tax positions taken by the Company.

### ***Stock-based Compensation***

All stock-based compensation to employees is measured on the grant date, based on the fair value of the awards on the date of grant. The Company recognizes compensation cost for its awards on a straight-line basis over the requisite service period, which is generally a vesting period of one to four years, except for the awards granted under the Company's 2022 Bonus Plan (see Note 13). Share-based compensation includes restricted stock units ("RSUs"), stock option grants and stock purchase rights under the ESPP.

The Company uses the Black-Scholes option pricing model to measure the fair value of its stock options and the stock purchase rights under the ESPP. The Black-Scholes option pricing model requires the use of complex assumptions, which determine the fair value of stock-based awards. If an award contains a provision whereby vesting is accelerated upon a change in control, the Company recognizes stock-based compensation expense on a straight-line basis, as a change in control is considered to be outside of its control and is not considered probable until it occurs. Forfeitures are accounted for in the period in which they occur.

### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash and certain highly liquid investments with maturities of 90 days or less at the date of purchase. Cash equivalents are primarily recorded at cost, which approximates fair value due to their short maturities.

### ***Restricted Cash***

As of December 31, 2022, the Company had \$169 thousand in restricted cash related to the letter of credit established according to requirements under a lease agreement, reported as a component of other current assets on the consolidated balance sheets. As of December 31, 2023, this balance is no longer restricted as the lease agreement and associated letter of credit have been completed.

Additionally, the Company had \$4.1 million and \$4.3 million in restricted cash as of December 31, 2023 and 2022, respectively, related to the line of credit agreement with City National Bank. See Note 11 for further details.

## ***Investments***

The Company holds all investments on a held-to-maturity basis, and they are reported at amortized cost with realized gains or losses reported in earnings. The Company determines the appropriate classification of its investment in debt securities at the time of purchase and re-evaluates such determination at each balance sheet date.

The Company will recognize an allowance for estimated credit losses on its held-to-maturity securities, using a forward-looking expected loss model, which reflects losses that are expected to be incurred over the life of the financial instrument. The Company uses a roll-rate method to determine the estimated credit losses using factors including historical global average default rates and expected recovery rates on similar credit quality, bond maturity and duration, along with historical experience, current conditions, and forecasts of future economic conditions, if available. The Company monitors the credit profile of its held-to-maturity securities on a quarterly basis, using third party data to assess their credit ratings as well as any adverse conditions specifically related to the security. The allowance for credit losses is less than \$1 thousand for the year ended December 31, 2023.

The Company's short-term investments include investment grade commercial paper with original maturities of 365 days or less at the date of purchase. Short-term investments are recorded at amortized cost on the consolidated balance sheets.

## ***Fair Value of Financial Instruments***

The Company measures financial assets and liabilities at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are reported under a three-level valuation hierarchy. The classification of the Company's financial assets within the hierarchy is as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 — Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The carrying amounts reflected in the consolidated balance sheets for accounts receivable, prepaid expenses and other current assets, accounts payable, accrued liabilities and other liabilities and deferred revenue, current approximate their respective fair values due to the short maturities of those instruments.

## ***Accounts Receivable, Net***

Accounts receivable are recorded net of an allowance when the Company has an unconditional right to payment. The Company adopted the current expected credit loss model ("CECL") as prescribed by Accounting Standards Update 2016-13 on January 1, 2023. Under CECL, accounts receivable are carried at the original invoiced amount less an estimated allowance for expected credit losses based on the probability of future collection. The allowance is estimated based on the Company's assessment of its ability to collect on customer accounts receivable and are \$8 thousand and \$13 thousand as of December 31, 2023 and 2022, respectively. The provision totaled \$30 thousand and zero for the years ending December 31, 2023 and 2022, respectively. Direct write-offs totaled \$35 thousand and zero for the years ending December 31, 2023 and 2022, respectively. Recoveries totaled zero and \$22 thousand for the years ending December 31, 2023 and 2022, respectively. The Company regularly reviews the allowance by considering certain factors such as historical experience, credit quality, age of accounts receivable balances and other known conditions that may affect a customer's ability to pay. The Company records changes in the estimate to the allowance for expected credit losses through provision for expected credit losses when a determination is made that the balance is uncollectible and collection of the receivable is no longer being actively pursued.

## ***Unbilled Accounts Receivable***

Unbilled accounts receivable represents revenue recognized on contracts for which billings have not yet been presented to customers due to consumption-based usage that is billed monthly in arrears. Substantially all of the Company's unbilled



accounts receivable is charged via a credit card upon billing. Unbilled accounts receivable is included in prepaid expenses and other current assets on the consolidated balance sheets. The balance of unbilled accounts receivable as of December 31, 2023 and 2022 is presented in Note 6.

### ***Deferred Offering Costs***

Deferred offering costs, which consist of direct incremental legal, accounting and consulting fees relating to the Company's IPO, are capitalized in other assets on the consolidated balance sheets. The deferred offering costs were offset against IPO proceeds upon the consummation of the IPO.

### ***Deferred Contract Costs***

Commissions paid to affiliates for new customers or customer renewals are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are recorded when earned and are amortized over the expected benefit period using the straight-line method. As renewal commission is commensurate with a commission in an initial sale, such amounts are capitalized and amortized over the stated contract term. Capitalized commission amounts expected to be recognized within one year of the balance sheet date are recorded as prepaid expenses and other current assets, and the remaining portion is recorded as other assets, on the Company's consolidated balance sheets. Expenses for commissions are included in sales and marketing expenses in the consolidated statements of operations.

### ***Property and Equipment, Net***

Property and equipment, both owned and under capital leases, are stated at cost, less accumulated depreciation, which is computed on a straight-line basis over the asset's estimated useful life. Leasehold improvements are depreciated over the shorter of the useful life of the asset or expected lease term. Improvements that increase functionality of the asset are capitalized and depreciated over the asset's remaining useful life. Construction-in-progress is not depreciated. Fully depreciated assets are retained in property and equipment until removed from service.

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

Property and Equipment	Useful life
Data center equipment	3 - 5 years
Machinery and equipment	3 - 5 years
Computer equipment	3 - 5 years
Leasehold improvements	Shorter of useful life or expected lease term

### ***Capitalized Internal-Use Software, Net***

The Company capitalizes qualifying software development costs related to new features and enhancements to the functionality of its platform and related products. The costs consist of personnel costs (including related benefits and stock-based compensation) that are incurred during the application development stage. Capitalization of costs begins when two criteria are met: (i) the preliminary project stage is completed, and (ii) it is probable that the software will be completed and used for its intended function. Capitalization ceases when the software is substantially complete and ready for its intended use, including the completion of all significant testing. Costs related to preliminary project activities and post-implementation operating activities are expensed as incurred.

The Company reviews its capitalization criteria for each project individually. Capitalized costs are amortized over the estimated useful life of the software, which is generally five years, on a straight-line basis, and represents the manner in which the expected benefit will be derived. The Company determines the useful lives of identifiable project assets after considering the specific facts and circumstances related to each project. The amortization of costs related to the platform applications is included in cost of revenue in the consolidated statements of operations.

Significant judgments related to the capitalization of software costs include determining whether it is probable that projects will result in new or additional functionality.

### ***Impairment of Long-lived Assets***

Long-lived assets with finite lives include property and equipment, capitalized internal-use software, and certain implementation costs incurred for cloud computing arrangements. The Company evaluates these long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds these estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the assets exceeds the fair value of the asset or asset group during the quarter in which the determination is made.

### ***Deferred Revenue***

The Company records deferred revenue when customer payments are received in advance of satisfying the performance obligations on the Company's contracts. Subscription-based arrangements are generally billed and paid in advance of satisfaction of these performance obligations. Deferred revenue relating to the Company's subscription-based arrangements that have a contractual expiration date of less than 12 months are classified as current. The Company classifies deferred revenue from services that will be provided in more than 12 months as non-current on its consolidated balance sheets.

### ***Leases***

The Company enters into finance lease arrangements for hard drives and related equipment, and operating leases for rental of co-location space in data centers and offices. The Company determines if an arrangement is or contains a lease at inception by evaluating various factors, including if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and other facts and circumstances. As a majority of the Company's operating leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available as of the commencement date for each lease component. The discount rate used is the rate of interest that a lessee would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term in a similar economic environment.

For finance leases, the lease term generally begins on the date of initial possession of the leased asset, and for operating leases the term begins when the Company has the right to use the leased space and obtain the economic benefits. The Company does not assume renewals in its determination of the lease term unless the renewals are deemed to be reasonably assured at lease inception. Lease classification is determined at the lease commencement date. The Company records an asset and lease liability on its consolidated balance sheets for leases that have yet to commence when it has the ability to control the underlying asset as that creates a significant right and obligation to the Company. The underlying assets of finance leases are included in property and equipment, net, on the Company's consolidated balance sheets. Variable lease payments are expensed as incurred and include certain non-lease components, such as maintenance and other services provided by the lessor to the extent the charges are variable.

The Company has elected the short-term lease practical expedient for all asset classes, which allows the lessee to not apply the recognition requirements of ASC 842 to short-term leases (leases with original terms of 12 months or less and that do not include a purchase option that the lessee is reasonably certain to exercise).

The Company has elected the practical expedient to combine lease and non-lease components for all of its leases, with the exception of its leases belonging to the colocation lease agreement asset class. For its colocation lease agreements, the Company only recognizes fixed minimum payments for tangible components as right-of-use assets and operating lease liabilities, as this class of agreements may include significant intangible components.

### ***Accounting Pronouncements Recently Adopted***

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires a financial asset measured at an amortized cost basis be presented at the net amount expected to be collected. For accounts receivables, unbilled receivables, loans, and other financial instruments, the Company is required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. The Company adopted the guidance effective January 1, 2023 using the modified retrospective transition method with comparative periods continuing to be reported using the previous applicable guidance and determined that it did not have a material impact on its consolidated financial statements.

### ***Recently Issued Accounting Pronouncements***

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740) - Improvements to Income Tax Disclosures” requiring enhancements and further transparency to certain income tax disclosures, most notably the tax rate reconciliation and income taxes paid. This ASU is effective for fiscal years beginning after December 15, 2024 on a prospective basis and retrospective application is permitted. The Company is currently evaluating the impact of the adoption of this standard.

In November 2023, the FASB issued ASU No. 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure.” The ASU updates reportable segment disclosure requirements, primarily through requiring enhanced disclosures about significant segment expenses and information used to assess segment performance. These disclosures are required quarterly and also applies to public entities with a single reportable segment. The ASU is effective for fiscal years beginning after December 15, 2023 and interim periods beginning after December 15, 2024, with early adoption permitted. It is required to be adopted retrospectively for all prior periods presented in the financial statements. The Company is currently evaluating the impact of adopting this ASU on its disclosures.

### **Note 3. Revenues**

#### ***Deferred Contract Costs***

The following table presents the Company’s amortization of deferred contract costs (in thousands):

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Amortization of deferred contract costs	\$978	\$892
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Deferred contract costs	\$489	\$418

#### ***Deferred Revenue***

The following table presents information regarding the Company’s deferred revenue (in thousands):

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Deferred revenue	\$30,049	\$25,523
	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Total revenue recognized, included in each deferred revenue balance at the beginning of each respective period	\$22,983	\$21,764

The Company's deferred revenue as stated on the consolidated balance sheets presented approximates its contract liability balance as of December 31, 2023 and 2022. The Company's total deferred revenue balance as of December 31, 2023, approximates the aggregate amount of the transaction price allocated to remaining performance obligations ("RPOs") as of that date. As of December 31, 2023, the Company's RPOs were \$33.1 million. This amount includes deferred revenue arising from consideration invoiced for which the related performance obligations have not been satisfied, as well as future committed revenue for periods within current contracts with customers. As of December 31, 2023, the Company expects to recognize \$27.6 million or approximately 84% of its RPOs over the next 12 months, and substantially all of its RPOs over the next 24 months.

#### ***Disaggregation of Total Revenue***

The following table presents the Company's revenue disaggregated by product (in thousands):

	For the Years Ended December 31,	
	2023	2022
B2 Cloud Storage	\$ 46,427	\$ 33,202
Computer Backup	55,592	51,953
Total revenue <sup>(1)</sup>	<u>\$ 102,019</u>	<u>\$ 85,155</u>

<sup>(1)</sup> For the periods presented, Physical Media revenue has been consolidated into B2 Cloud Storage or Computer Backup revenue based on the underlying offering from which it originates.

The following table presents the Company's total revenue disaggregated by timing of revenue recognition (in thousands):

	For the Years Ended December 31,	
	2023	2022
Consumption-based arrangements	\$ 45,771	\$ 33,041
Subscription-based arrangements	55,679	51,431
Physical Media (point in time)	569	683
Total revenue	<u>\$ 102,019</u>	<u>\$ 85,155</u>

Total revenue by geographic area, based on the location of the Company's customers, was as follows (in thousands):

	For the Years Ended December 31,	
	2023	2022
United States	\$ 73,262	\$ 60,950
United Kingdom	5,463	4,652
Canada	5,027	4,324
Other	18,267	15,229
Total revenue	<u>\$ 102,019</u>	<u>\$ 85,155</u>

#### **Note 4. Investments**

##### *Fair Values and Gross Unrealized Gains and Losses on Investments*

The following table summarizes adjusted cost, gross unrealized losses, and fair value by significant investment category. The Company's commercial paper investments with original maturities greater than 90 days are classified as held-to-maturity and commercial paper investments with original maturities of 90 days or less are classified as cash equivalents on its consolidated balance sheets as of December 31, 2023 and 2022.

		Gross Unrealized			
	Amortized Cost	Gains	Losses	Fair Value	Net Carrying Value
As of December 31, 2023	(In Thousands)				
Cash equivalents					
Commercial paper	\$ 4,976	\$ 10	\$ —	\$ 4,986	\$ 4,976
Total cash equivalents	<u>\$ 4,976</u>	<u>\$ 10</u>	<u>\$ —</u>	<u>\$ 4,986</u>	<u>\$ 4,976</u>
Investments					
Commercial paper	\$ 16,799	\$ —	\$ (10)	\$ 16,789	\$ 16,799
Total investments	<u>\$ 16,799</u>	<u>\$ —</u>	<u>\$ (10)</u>	<u>\$ 16,789</u>	<u>\$ 16,799</u>
		Gross Unrealized			
	Amortized Cost	Gains	Losses	Fair Value	Net Carrying Value
As of December 31, 2022	(In Thousands)				
Investments					
Commercial paper	\$ 58,733	\$ —	\$ (144)	\$ 58,589	\$ 58,733
Total investments	<u>\$ 58,733</u>	<u>\$ —</u>	<u>\$ (144)</u>	<u>\$ 58,589</u>	<u>\$ 58,733</u>

### Scheduled Maturities

The amortized cost and fair value of held-to-maturity securities as of December 31, 2023 and 2022 by contractual maturity are shown below.

<b>As of December 31, 2023</b>	Amortized Cost	Fair Value
	(In Thousands)	
Within one year	\$ 16,799	\$ 16,789
After one year through five years	—	—
After 5 years through 10 years	—	—
After 10 years	—	—
Total investments	<u>\$ 16,799</u>	<u>\$ 16,789</u>
<b>As of December 31, 2022</b>	Amortized Cost	Fair Value
	(In Thousands)	
Within one year	\$ 58,733	\$ 58,589
After one year through five years	—	—
After 5 years through 10 years	—	—
After 10 years	—	—
Total investments	<u>\$ 58,733</u>	<u>\$ 58,589</u>

### Aging of Unrealized Losses

For those securities in an unrealized loss position, the length of time the securities were in such a position is as follows:

	Less than 12 Months			Total		
	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses
<b>As of December 31, 2023</b>						
	(Dollars In Thousands)					
Investments						
Commercial paper	4	\$ 16,789	\$ (10)	4	\$ 16,789	\$ (10)
Total	4	\$ 16,789	\$ (10)	4	\$ 16,789	\$ (10)
	Less than 12 Months			Total		
	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses
<b>As of December 31, 2022</b>						
	(Dollars In Thousands)					
Investments						
Commercial paper	11	\$ 58,589	\$ (144)	11	\$ 58,589	\$ (144)
Total	11	\$ 58,589	\$ (144)	11	\$ 58,589	\$ (144)

## Note 5. Fair Value Measurements

The Company classifies its fair value disclosure of held-to-maturity investments, which are comprised of investment grade commercial paper, within Level 2 of the fair value hierarchy because the fair value of these securities are priced by using inputs based on non-binding market consensus that are primarily corroborated by observable market data or quoted market prices for similar instruments. The following table summarizes the fair value of the Company's Level 2 instruments held as of December 31, 2023 and 2022 (in thousands):

	December 31,	
	2023	2022
Commercial paper	\$ 16,789	\$ 58,589

There were no transfers between levels of the fair value hierarchy for the year ended December 31, 2023 and 2022. The Company held no assets or liabilities that were measured at fair value on a recurring basis as of December 31, 2023 and 2022.

## Note 6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	December 31,	
	2023	2022
Unbilled accounts receivable, net	\$ 2,375	\$ 1,637
Prepaid expenses	2,313	2,600
Receivable from payment processor	1,276	644
Financed prepaid insurance	1,001	1,545
Other	1,448	1,694
Total prepaid expenses and other current assets	\$ 8,413	\$ 8,120

## Note 7. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	December 31,	
	2023	2022
Data center equipment	\$ 37,245	\$ 28,531
Leased and financed data center equipment	68,757	62,300
Machinery and equipment	14,004	11,613
Computer equipment	2,472	2,503
Leasehold improvements	1,114	1,268
Construction-in-process	1,371	3,636
Total property and equipment	124,963	109,851
Less: accumulated depreciation and amortization	(79,363)	(60,476)
Total property and equipment, net	\$ 45,600	\$ 49,375

Depreciation expense was \$21.3 million and \$18.0 million for the years ended December 31, 2023 and 2022, respectively. For the Company's equipment under finance leases and collateralized financing obligations, accumulated depreciation was \$31.6 million and \$24.5 million as of December 31, 2023 and 2022, respectively. The carrying value of the Company's equipment under finance lease agreements and collateralized financing obligations was \$37.1 million and \$37.8 million as of December 31, 2023 and 2022, respectively.

During the years ended December 31, 2023 and 2022, the Company recorded a gain of \$0.4 million and a loss of \$0.1 million, respectively, as a result of disposing of certain hard drives. These disposals occurred in the ordinary course of business, as the Company continuously evaluates its requirements for operating its data centers. The loss and gains are recorded as general and administrative expenses in the Company's consolidated statements of operations.

The Company had long-lived assets, comprising of property and equipment, net and operating lease right-of-use assets consisting of the following (in thousands):

	December 31,	
	2023	2022
United States	\$ 50,746	\$ 50,176
The Netherlands	4,834	6,080
Total property and equipment, net and operating lease right-of-use assets	\$ 55,580	\$ 56,256

## Note 8. Capitalized Internal-Use Software, Net

Capitalized internal-use software, net consisted of the following (in thousands):

	December 31,	
	2023	2022
Developed software	\$ 43,156	\$ 23,777
General and administrative software	144	144
Total capitalized internal-use software	43,300	23,921
Less: accumulated amortization	(10,779)	(7,217)
Total capitalized internal-use software, net	\$ 32,521	\$ 16,704

Amortization expense of capitalized internal-use software was \$3.6 million and \$2.2 million for the years ended December 31, 2023 and 2022, respectively. Amortization of developed software and software purchased for internal use are included in cost of revenue and general and administrative expense, respectively, in the Company's consolidated statements of operations for the years ended December 31, 2023 and 2022.



As of December 31, 2023, future amortization expense is expected to be as follows (in thousands):

Year Ending December 31,		
2024	\$	6,905
2025		7,304
2026		6,851
2027		6,138
2028		4,455
Thereafter		868
Total	\$	32,521

The Company evaluates capitalized internal-use software for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During the year ended December 31, 2023, the Company recorded an impairment expense of \$0.2 million, related to an in-house operating system initiative that was determined to no longer provide future economic benefits during 2023. The impairment expense is recorded as research and development expense in the Company's consolidated statement of operations. No impairment expense was recorded during the year ended December 31, 2022.

#### Note 9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	December 31,	
	2023	2022
Accrued compensation	\$ 4,105	\$ 2,728
ESPP withholding	426	415
Accrued expenses	1,284	2,881
Accrued value-added tax ("VAT")	1,266	1,220
Financed insurance premiums (see Note 11)	893	1,545
Other	486	629
Accrued expenses and other current liabilities	\$ 8,460	\$ 9,418

#### Note 10. Commitments and Contingencies

##### *Finance Leases and Lease Financing Obligations*

The Company enters into finance lease arrangements to obtain hard drives and related equipment for its data center operations. The terms of these agreements primarily range from three-to-four years and certain of these arrangements have optional renewals to extend the term of the lease generally at a fixed price. Contingent rental payments are generally not included in the Company's finance lease agreements. Finance leases are generally secured by the underlying leased equipment. The Company's finance leases have original lease periods expiring between 2024 and 2026. Finance leases are included in property and equipment, net on the Company's consolidated balance sheets.

As of December 31, 2023, the weighted average remaining lease term for finance lease and lease financing obligation agreements was approximately 1.7 years and the weighted average discount rate for finance leases was 11.0%. As of December 31, 2022, the weighted average remaining lease term for finance lease and lease financing obligation agreements was approximately 2 years and the weighted average discount rate for finance leases was 10.2%.

The following table presents information regarding assets acquired through finance lease and lease financing obligation agreements, which are related to sale-leaseback agreements (in millions):

	For the Years Ended December 31,	
	2023	2022
Depreciation expense	\$15.4	\$13.2
Total finance lease costs	\$16.9	\$16.1
Total interest expense included in finance lease costs	\$2.8	\$3.9
Total lease financing obligation costs	\$1.8	\$1.4
Total interest expense included in lease financing obligation costs	\$0.4	\$0.3
Cash paid on interest on finance lease and lease financing obligations	\$3.2	\$3.8

Depreciation expense on assets acquired through the Company's finance leases and lease financing obligations is included in cost of revenue in its consolidated statements of operations.

During the year ended December 31, 2023, the Company entered into two sale-leaseback arrangements with vendors to provide an aggregate of \$4.5 million in cash proceeds for previously purchased hard drives and related equipment. The Company concluded the related lease arrangements would be classified as a lease financing obligation as the Company was reasonably certain to exercise the purchase option within the arrangement. Therefore, the transaction was deemed a failed sale-leaseback and was accounted for as a financing arrangement. The assets continue to be depreciated over their useful lives, and payments are allocated between interest expense and repayment of the financing liability. The Company did not enter into any new sale-leaseback arrangements during the year ended December 31, 2022.

The future minimum commitments for these finance leases and lease financing obligations as of December 31, 2023 were as follows (in thousands):

Year Ending December 31,	Finance leases	Lease financing obligations	Total
2024	\$ 16,983	\$ 3,917	\$ 20,900
2025	8,534	2,914	11,448
2026	2,768	—	2,768
2027	6	—	6
2028	—	—	—
Thereafter	—	—	—
Total future minimum lease and financing commitments	28,291	6,831	35,122
Less imputed interest	(2,430)	(890)	(3,320)
Total liability	\$ 25,861	\$ 5,941	\$ 31,802

### Operating Leases

The Company leases its facilities for data centers and office space under non-cancelable operating leases with various expiration dates. Certain lease agreements include renewal options to extend the lease term at a price to be determined upon exercise. These options are not reasonably certain to be exercised and therefore are not factored into the determination of lease payments. Contingent rental payments are generally not included in the Company's lease agreements. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company's leases have original lease periods expiring between 2024 and 2031. The Company does not have a material amount of short-term leases as of December 31, 2023.

In July 2023, the Company entered into an operating lease agreement for purposes of consolidating and moving out of two offices into one office, resulting in the recognition of \$5.3 million of operating right-of-use assets and \$5.2 million of operating lease liabilities, current and non-current, on its consolidated balance sheets.

As of December 31, 2023, the weighted average remaining lease term for operating leases was approximately 5.5 years and the weighted average discount rate for operating leases was approximately 7.1%. As of December 31, 2022, the weighted average remaining lease term for operating leases was approximately 5.6 years and the weighted average discount rate for operating leases was approximately 5.4%.

The future minimum commitments for these operating leases as of December 31, 2023 were as follows (in thousands), which excludes amounts allocated to services under operating lease agreements that are considered non-lease components:

Year Ending December 31,	
2024	\$ 2,398
2025	2,002
2026	2,056
2027	2,118
2028	2,073
Thereafter	1,479
Total future minimum operating lease commitments	12,126
Less imputed interest	(2,097)
Total	\$ 10,029

Non-lease components included in the Company's co-location lease agreements are related to non-tangible utilities and services used in its data center operations. The Company used judgment and third-party data in determining the stand-alone price for allocating consideration to lease and non-lease components under these co-location lease agreements, such as, the price of utilities as compared to its tangible data center footprint within each co-location facility.

The future minimum commitments for the Company's non-cancellable contractual obligations as of December 31, 2023 for non-lease components were as follows (in thousands):

Year Ending December 31,	
2024	\$ 4,240
2025	2,623
2026	2,603
2027	2,679
2028	2,764
Thereafter	3,310
Total future minimum commitments	\$ 18,219

The following table presents information regarding the Company's operating leases (in millions). Total operating lease cost does not include costs related to services.

	For the Years Ended December 31,	
	2023	2022
Rental expense for both lease and non-lease components	\$8.1	\$6.5
Rental expense for both lease and non-lease components included in cost of revenue	\$6.8	\$4.9
Rental expense related to lease components	\$3.1	\$3.3
Total operating lease cost	\$10.6	\$7.7

Total operating lease cost of \$10.6 million for the year ended December 31, 2023 includes \$1.8 million of variable lease costs and \$0.7 million of short-term lease costs. Total operating lease cost of \$7.7 million for the year ended December 31, 2022 includes \$0.9 million of variable lease costs and \$0.2 million of short-term lease costs.

#### ***Other Contractual Commitments***

Other non-cancellable commitments relate mainly to service agreements used to facilitate the Company's infrastructure operations. As of December 31, 2023, the Company had non-cancelable purchase commitments of \$1.2 million and \$0.6 million payable during the years ending December 31, 2024 and 2025, respectively.

During 2023, the Company made payments of \$0.2 million to a related party, Meaningful Works, for marketing services per terms of an agreement. An executive officer of Meaningful Works is an immediate family member of the Company's CEO. As of December 31, 2023, the scope of services has been completed per terms of the agreement.

#### ***401(k) Plan***

The Company sponsors a 401(k) defined contribution plan covering all eligible U.S. employees. Contributions to the 401(k) plan are discretionary. The Company contributed \$1.9 million and \$1.6 million to the 401(k) plan for the years ended December 31, 2023 and 2022, respectively.

#### ***Legal Matters***

The Company is involved from time to time in various claims and legal actions arising in the ordinary course of business. While it is not feasible to predict or determine the ultimate outcome of these matters, the Company believes that none of its current legal proceedings are likely to have a material adverse effect on its financial position, results of operations or cash flows. However, the results of legal proceedings are inherently unpredictable and litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources, and other factors.

On July 15, 2022, the Company received a demand letter from the investors that participated in the Simple Agreement for Future Equity ("SAFE") agreement in August 2021 related to a contractual dispute in connection with the SAFE transaction. The investors sought a refund of their original investment of \$10.0 million. In February 2023, the Company settled with the SAFE holders for a full release of all claims related to the SAFE transaction for a one-time payment in the amount of \$1.5 million in aggregate. The \$1.5 million settlement is included as a general and administrative expense in the Company's consolidated statements of operations during the year ended December 31, 2022.

One of the SAFE holders, TMT Investments PLC ("TMT"), a beneficial holder of more than 5% of the Company's capital stock, was a party to the settlement and received a pro-rata payment of \$0.3 million as part of the SAFE settlement.

#### ***Accrued VAT Liability***

The Company has calculated a liability for uncollected and unpaid VAT, which is generally assessed by various taxing authorities on services the Company provides to its customers. The Company accrues an amount that it considers probable to be collected and can be reasonably estimated. Based on the Company's analysis, its total accrual for VAT tax payable was \$1.3 million and \$1.2 million as of December 31, 2023 and 2022, respectively.

#### ***Indemnification***

The Company enters into indemnification provisions under agreements with other parties from time to time in the ordinary course of business. The Company has agreed in certain circumstances to indemnify and defend the indemnified party for claims and related losses suffered or incurred by the indemnified party from third-party claims due to the Company's activities or non-compliance with certain representations and warranties made by the Company. It is not possible to determine the maximum potential loss under these indemnification provisions due to the Company's limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. No losses have been recorded in the consolidated statements of operations in connection with the indemnification provisions.

#### **Note 11. Debt**

##### ***Credit Facility***

During April 2022, the Company entered into a second amendment to its revolving credit agreement (as amended, the "RCA") with City National Bank ("Lender"). Under this amendment, the amounts available to be borrowed was increased to \$30.0 million from \$9.5 million. During January 2023, the Company entered into a third amendment to the RCA. Under this amendment, advances on the line of credit will bear monthly interest at a variable rate equal to, at the Company's discretion, (a) the average Secured Overnight Financing Rate ("SOFR") plus 2.00%, or (b) the base rate. The base rate under the RCA is a rate equal to the greater of (i) 3.00% or (ii) the prime rate most recently announced by the Lender. There were no other material changes to the RCA as a result of the amendment.

In December 2023, the Company entered into a fourth amendment related to the RCA. Under this amendment, the maximum borrowing available was reduced from \$30 million to \$20 million. Furthermore, advances on the line of credit will bear monthly interest at a variable rate equal to, at the Company's discretion, (a) the average SOFR plus 2.75%, or (b) the base rate described above. The RCA has an unused line fee equal to 0.3% of the difference between the maximum balance available under the RCA and the average daily balance outstanding during the quarter, payable within ten days of the last day of each quarter. The RCA provides for an annual commitment fee equal to 0.5% on the amount available to be borrowed, payable annually on December 29th. The Company incurred annual commitment fees on the unused balance of the RCA of \$0.1 million for the year ended December 31, 2023. In connection with the RCA, the Company incurred an additional \$5 thousand of additional debt issuance costs which, together with the \$0.1 million of commitment fees and \$0.1 million of the then unamortized debt issuance costs, will be amortized over the remaining term of the facility.

As of December 31, 2023, the Company had an outstanding balance of \$4.1 million and the total amount available to the Company to be borrowed was \$15.9 million. The outstanding balance of \$4.1 million as of December 31, 2023 was collateralized by cash held by the Company. As such, the Company held \$4.1 million in cash that it deemed to be restricted and is included in restricted cash, non-current on the Company's consolidated balance sheets as of December 31, 2023. With prior written notice to the Lender, the Company has the right, at any time prior to the maturity date in December 2025, to terminate the RCA. In the event of such termination, the aggregate principal of the then outstanding amounts, including any accrued interest to date, shall be repaid and the restrictions on the associated collateralized cash would be released.

As of December 31, 2023, the interest rate associated with the outstanding balance under the RCA was 8.1%, which is a per annum rate. Interest payments on outstanding borrowing are due on the last day of each monthly interest period and payments for the commitment fee are due at the end of each calendar quarter. Total interest expense and amortization of debt issuance costs related to the RCA was \$0.6 million and \$0.2 million for the years ended December 31, 2023 and 2022, respectively.

Advances under the RCA are due in full in December 2025. As the RCA is a multi-year revolving credit agreement, the Company classifies the facility as long-term debt on its consolidated balance sheets as it has the intent and ability to maintain the facility outstanding for longer than 12 months. The Company classifies the facility as a debt facility, non-current on its consolidated balance sheets as of December 31, 2023.

### ***Insurance Premium Financing Agreements***

In November 2022, the Company entered into an additional insurance policy with annual premiums totaling \$2.1 million. The Company executed an additional finance agreement with AFCO Premium Credit LLC over a term of twelve months, with an annual interest rate and weighted average interest rate for the periods presented of 4.5%, that finances the payment of the total premiums owed. The finance agreement required a \$0.5 million down payment, with the remaining \$1.5 million plus interest paid over three quarterly installments. These quarterly payments started on February 10, 2023. As of December 31, 2023, the balance of this finance agreement was fully paid. Total interest expense related to this agreement was less than \$0.1 million for both the years ended December 31, 2023 and 2022, respectively.

In November 2023, the Company entered into an insurance policy with annual premiums totaling \$1.2 million. The Company has executed a finance agreement with AFCO Premium Credit LLC over a term of twelve months, with an annual interest rate and weighted average interest rate for the year ended December 31, 2023 of 7.0%, that finances the payment of the total premiums owed. The agreement requires a \$0.3 million down payment, with the remaining \$0.9 million plus interest paid over three quarterly installments. These quarterly payments start February 10, 2024. As of December 31, 2023, the unpaid balance is \$0.9 million, reported as a component of accrued expenses and other current liabilities on the consolidated balance sheets. Total interest expense related to this agreement was less than \$0.1 million for the year ended December 31, 2023.

### **Note 12. Stockholders' Equity**

**Common Stock.** From the time of its initial public offering through July 5, 2023, the Company had two outstanding classes of common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock were identical, except for voting, transfer, and conversion rights. On July 6, 2023, all of the Company's then-outstanding shares of the Company's Class B common stock were automatically converted (the "Conversion") into the same number of shares of Class A common stock pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation. No additional shares of Class B common stock will be issued following the Conversion. In addition, on July 7, 2023, the Company filed a Certificate of Retirement with the Secretary of State of the

State of Delaware effecting the retirement of the shares of Class B common stock that were issued but no longer outstanding following the Conversion. As of December 31, 2023, the Company's sole outstanding class of common stock was its Class A common stock.

The Company had reserved shares of common stock for future issuance as follows:

	December 31, 2023
2011 Equity Incentive Plan	
Options outstanding	7,988,657
Shares available for future grants	—
2021 Equity Incentive Plan	
Options outstanding	1,318,485
Restricted stock units outstanding	5,256,833
Shares available for future grants	7,400,180
2021 Employee Stock Purchase Plan	
Shares available for future purchases	962,960
Total	22,927,115

### Note 13. Stock-Based Compensation

#### *Equity Incentive Plans*

*2011 Equity Incentive Plan.* In 2011, the Company's Board of Directors approved the adoption of the 2011 Stock Plan (the "2011 Plan"). The 2011 Plan provides for the grant of stock-based awards to employees, non-employee directors, and other service providers of the Company. The 2011 Plan expired in September 2021.

*2021 Equity Incentive Plan.* In October 2021, the Company's Board of Directors and stockholders adopted the 2021 Equity Incentive Plan (the "2021 Plan") and it was approved by stockholders in October 2021. The 2021 Plan replaced the 2011 Plan. However, awards outstanding under the 2011 Plan will continue to be governed by their existing terms. The 2021 Plan has the features described below.

*Share Reserve.* As of December 31, 2023, the number of shares of common stock available for issuance under the 2021 Plan equaled the sum of 14,662,500 shares, plus up to approximately 13,719,000 shares subject to awards granted under the 2011 Plan that expire, forfeit or are repurchased following the effective date of the 2021 Plan. In addition, the 2021 Plan includes an evergreen provision from which the number of shares reserved for issuance under the 2021 Plan will be increased automatically on the first business day of each of the Company's fiscal years and ending on January 1, 2031, by a number equal to the lowest of (i) 4,784,100 shares, (ii) 5% of the shares of Class A common stock outstanding on the last business day of the prior fiscal year; or (iii) the number of shares determined by the Board of Directors. Pursuant to this evergreen provision, the Company increased the number of shares reserved under the 2021 Plan by 809,916 and 411,399 shares of Class A common stock during the years ended December 31, 2023 and 2022, respectively. In July 2023, the Company increased the number of shares reserved under the 2021 Plan by 8,292,158 shares of Class A common stock pursuant to the amendment and restatement of the 2021 Plan adopted by the Company's board of directors and approved by the stockholders.

In general, to the extent that any awards under the 2021 Plan are forfeited, terminate, expire or lapse without the issuance of shares, or if the Company reacquires the shares subject to awards granted under our 2021 Plan, those shares will again become available for issuance under our 2021 Plan, as will shares applied to pay the exercise or purchase price of an award or to satisfy tax withholding obligations related to any award.

#### *Restricted Stock Units*

Restricted stock units ("RSUs") granted under the 2021 Plan generally vest based on continued service up to a four-year period for employees, and over a one-year period for non-employee directors.

RSU activity for the year ended December 31, 2023 was as follows:

	Shares	Weighted-average grant date fair value per share
Unvested balance as of December 31, 2022	3,716,061	\$ 6.60
Granted	4,576,424	\$ 5.06
Vested	(2,614,981)	\$ 6.06
Forfeited	(420,671)	\$ 5.38
Unvested balance as of December 31, 2023	5,256,833	\$ 5.63

The weighted-average grant-date fair value of 4,163,608 RSUs granted during the year ended December 31, 2022 was \$6.87. The fair value as of the respective vesting dates of RSUs was \$14.2 million and \$1.9 million during the years ended December 31, 2023 and 2022, respectively.

### Stock Options

*Stock Options.* Stock options granted under the equity plans generally vest based on continued service over four years and expire ten years from the date of grant.

The following table summarizes the Black-Scholes option pricing model weighted-average assumptions used in estimating the fair value of stock options granted to employees during the year ended December 31, 2022. No stock options were granted during the year ended December 31, 2023.

	For the Year Ended December 31, 2022
Expected term (in years)	6
Expected volatility	49.0 %
Risk-free interest rate	1.20 %
Expected dividend yield	— %

*Expected term.* For stock options considered to be “plain vanilla” options, the Company estimates the expected term based on the simplified method, which is essentially the weighted average of the vesting period and contractual term, as the Company’s historical share option exercise experience does not provide a reasonable basis upon which to estimate the expected term.

*Expected volatility.* The Company performed an analysis using the average volatility of a peer group of representative public companies with sufficient trading history over the expected term to develop an expected volatility assumption.

*Risk-free interest rate.* Based upon quoted market yields for the United States Treasury debt securities for a term consistent with the expected life of the awards in effect at the time of grant.

*Expected dividend yield.* Because the Company has never paid and has no intention to pay cash dividends on common stock, the expected dividend yield is zero.

A summary of equity award activity under the Company’s equity plans and related information is as follows (in thousands, except share, price and year data):



	Shares available for grant	Outstanding Equity Awards	Weighted- average exercise Price	Weighted- average remaining contractual life (years)	Aggregate intrinsic value
<b>Balance as of December 31, 2022</b>	<u>1,836,566</u>	<u>12,371,281</u>	\$ 5.74	6.07	\$ 32,385
Shares authorized	9,102,074				
Options granted	—	—	—		
Options exercised	—	(2,446,846)	1.89		
Options cancelled	617,293	(617,293)	10.87		
RSU award activity	(4,155,753)	—			
<b>Balance as of December 31, 2023</b>	<u>7,400,180</u>	<u>9,307,142</u>	\$ 6.41	5.57	\$ 31,250
<b>Vested and exercisable as of December 31, 2023</b>		<u>7,747,252</u>	\$ 5.24	5.17	\$ 29,480

The weighted-average grant-date fair value of options granted was \$6.26 during the year ended December 31, 2022. The intrinsic value of options exercised was \$8.8 million and \$10.5 million for the years ended December 31, 2023 and 2022, respectively. Aggregate intrinsic value represents the difference between the exercise price of the options and the estimated fair value of the Company's underlying common stock at the time of exercise. The aggregate grant-date fair value of options vested was \$8.5 million and \$13.0 million for the years ended December 31, 2023 and 2022, respectively.

### ESPP

In October 2021, the Company's Board of Directors adopted the ESPP, which became effective on the date of the IPO. The ESPP initially reserved and authorized the issuance of up to a total of 956,800 shares of Class A common stock to participating employees. Pursuant to its evergreen provision, the Company increased the number of shares reserved under the ESPP by 667,874 and 607,696 for the years ended December 31, 2023 and 2022, respectively.

The initial offering period commenced in November 2021 and the first purchase date occurred in May 2022. Under the Company's ESPP, eligible employees may authorize payroll deductions of up to 50% of their eligible compensation, subject to IRS limitations, during prescribed offering periods to purchase shares of the Company's Class A common stock at a price per share equal to 85% of the lesser of (1) the stock price at the employee's first participation in the offering period or (2) the fair market value of the Company's common stock on the purchase date. A participant may participate in only one offering period at a time, and a new offering period generally begins each May 20th and November 20th. Each offering period is generally 24 months and consists of four exercise dates (each, generally six months following the start of the offering period or the preceding exercise date, as the case may be). If the fair market value of the Company's Class A common stock is less on a given exercise date than on the date of grant, employee participation in that offering period ends and participants are automatically re-enrolled in the next new offering period. The ESPP shall terminate automatically 20 years after its effective date, unless the ESPP is extended by the Board of Directors and the extension is approved within 12 months by a vote of the stockholders of the Company.

695,046 and 574,364 shares of Class A common stock have been purchased under the ESPP during the years ended December 31, 2023 and 2022, respectively. The fair value of the purchase rights under the ESPP was estimated using the Black-Scholes option pricing model with a similar methodology for determining inputs as the Company's stock options, as described above.

The Company recorded stock-based compensation expense under this plan of \$4.2 million and \$2.9 million for the years ended December 31, 2023 and 2022, respectively, of which \$0.8 million and \$0.6 million was capitalized for the development of capitalized internal-use software.

As of December 31, 2023, the total unrecognized stock-based compensation expense related to the ESPP was \$1.1 million and is expected to be recognized over a weighted average period of 1 year. As of December 31, 2023, \$0.4 million had been withheld on behalf of employees for future purchases.

The following table summarizes the Black-Scholes option pricing model weighted-average assumptions used in estimating the fair value of the stock purchase rights granted to employees under the ESPP for the years ended December 31, 2023 and 2022:

	For the Years Ended December 31,	
	2023	2022
Expected term (in years)	0.5 - 2.0	0.5 - 2.0
Expected volatility	46% - 64%	45% - 68%
Risk-free interest rate	4.29% - 5.43%	0.10% - 4.75%
Expected dividend yield	— %	— %

### ***Stock-Based Compensation Expense***

Stock-based compensation expense included in the consolidated statements of operations was as follows (in thousands):

	For the Years Ended December 31,	
	2023	2022
Cost of revenue	\$ 1,986	\$ 1,267
Research and development	9,218	6,698
Sales and marketing	8,801	5,360
General and administrative	5,172	3,724
Total stock-based compensation expense	<u>\$ 25,177</u>	<u>\$ 17,049</u>

During the years ended December 31, 2023 and 2022, the Company capitalized \$5.0 million and \$2.7 million, respectively, of stock-based compensation for the development of capitalized internal-use software. As of December 31, 2023, total unrecognized compensation cost related to stock options and RSUs not yet vested was \$10.5 million and \$27.4 million, respectively, which will be recognized over a weighted-average period of 1.3 and 2.1 years for stock options and RSUs, respectively.

### ***Bonus Plan***

During March 2022, the Company's Compensation Committee of the Board of Directors approved a new bonus structure ("Bonus Plan") for its employees. The Bonus Plan is contingent upon the achievement of annual corporate performance targets. In each respective calendar year, the Company accrues for the Bonus Plan. The actual payout amount is determined by the Company's Compensation Committee based on the actual achievement with respect to the annual performance targets and is paid in the subsequent year in the variable number of RSUs equal to the payout amount. These RSUs are subject to performance and service condition vesting requirements, beginning from the grant date to the payout date. Participants must remain employed with the Company through the date of payout to maintain eligibility under the Bonus Plan.

Pursuant to the Bonus Plan, during February 2023 the Company's Compensation Committee approved the issuance of approximately 288,000 RSUs that immediately vested based on actual performance against the performance targets for 2022. The Company recognized \$1.9 million in stock-based compensation during the year ended December 31, 2022, of which the Company capitalized \$0.3 million of stock-based compensation expense under this plan for the development of internal-use software.

During February 2023, the Company's Board of Directors approved annual corporate performance targets under its Bonus Plan for 2023 for its employees. If these performance targets are met during 2023, employees will be paid out under the Bonus Plan in RSUs in 2024. As a result, the Company recognized \$3.0 million in stock-based compensation during the year ended December 31, 2023 based on progress made towards these performance targets. These RSUs are subject to performance and service condition vesting requirements, beginning from the grant date to the payout date. During the year ended December 31, 2023, the Company capitalized \$0.5 million of stock-based compensation expense under this plan for the development of internal-use software. As of December 31, 2023, the accrued bonus balance is \$3.0 million, reported as a component of accrued expenses and other current liabilities on the consolidated balance sheets. Pursuant to the Bonus Plan, during February 2024, the Company's Compensation Committee approved the issuance of approximately 296,000 RSUs that immediately vested.

#### Note 14. Net Loss per Share Attributable to Common Stockholders

The Company computes net loss per share for periods prior to the Conversion using the two-class method required for multiple classes of common stock and participating securities. Prior to the Conversion, shares of Class A and Class B were the only outstanding equity in the Company. The rights of the holders of the Class A common stock and Class B common stock were identical, except with respect to voting, transfer, and conversion. Accordingly, the Class A common stock and Class B common stock shared equally in the Company's net losses.

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. The diluted net loss per share attributable to common stockholders is computed by giving effect to all potentially dilutive common stock equivalents during the period. For purposes of this calculation, the Company's stock options, share purchase rights pursuant to the Company's ESPP, and unvested restricted stock are considered to be potential common stock equivalents, but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is antidilutive.

As discussed above in Note 12, on July 6, 2023, all of the Company's then-outstanding shares of Class B common stock, par value \$0.0001 per share, were automatically converted into the same number of shares of Class A common stock, par value \$0.0001 per share, pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation. No additional shares of Class B common stock will be issued following the conversion. In addition, on July 7, 2023, the Company filed a Certificate of Retirement with the Secretary of State of the State of Delaware effecting the retirement of the shares of Class B common stock that were issued but no longer outstanding following the Conversion. As the liquidation and dividend rights were identical, the Company's undistributed earnings or losses were allocated on a proportionate basis among the holders of Class A and Class B common stock. As a result, the net loss per share attributed to common stockholders was, therefore, the same for both Class A and Class B common stock on an individual or combined basis.

The following table presents the calculation of basic and diluted net loss per share (in thousands, except share and per share data):

	For the Years Ended December 31,			
	2023		2022	
	(in thousands, except share and per share amounts)			
	Class A	Class B	Class A	Class B
Numerator:				
Net loss attributable to common stockholders	\$ (47,656)	\$ (12,057)	\$ (20,980)	\$ (30,418)
Denominator for basic and diluted net loss per share:				
Weighted-average shares used in computing net loss per share attributable to common stockholders – basic and diluted	28,740,173	7,271,273	12,924,084	18,738,217
Net loss per share attributable to common stockholders – basic and diluted	\$ (1.66)	\$ (1.66)	\$ (1.62)	\$ (1.62)

Since the Company was in a loss position for all periods presented, basic net loss per share is the same as diluted net loss per share as the inclusion of all potential common shares outstanding would have been antidilutive. The potential shares of common stock that were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented are as follows:

	December 31,	
	2023	2022
RSUs	5,256,833	3,716,061
Stock options	9,307,142	12,371,281
Shares issuable pursuant to the ESPP	101,430	120,191
<b>Total</b>	<b>14,665,405</b>	<b>16,207,533</b>

## Note 15. Restructuring

In January 2023, the Company initiated measures to reduce headcount to pursue greater cost efficiency and align strategic initiatives. These measures were substantially completed by June 30, 2023, and the total cost was \$3.6 million. During this period, approximately 1% and 4% of the Company's workforce terminated employment, which were voluntary and involuntary terminations, respectively. As a result, the Company incurred employee termination expenses and other associated costs.

A summary of the restructuring charges as reported on the consolidated statement of operations for the year ended December 31, 2023, of which \$0.7 million were related to involuntary terminations, is as follows (in thousands):

Severance and other Personnel Costs	For the Year Ended December 31, 2023
Research and development	\$ 2,311
Sales and marketing	1,025
General and administrative	280
Total	<u>\$ 3,616</u>

The following table is a summary of the charges in the severance and other personnel liabilities, included within accrued expenses and other current liabilities on the consolidated balance sheet, related to the workforce reduction (in thousands):

Balance as of January 1, 2023	\$ —
Severance and other personnel costs	3,616
Cash payments during the period	(3,616)
Balance as of December 31, 2023	<u>\$ —</u>

## Note 16. Income Taxes

The following table presents the components of net loss before income taxes (in thousands):

	For the Years Ended December 31,	
	2023	2022
United States	\$ (59,713)	\$ (51,437)
Non-U.S.	—	—
Loss before provision for income taxes	<u>\$ (59,713)</u>	<u>\$ (51,437)</u>

The provision for income taxes included in the consolidated statement of operations is comprised of the following (in thousands):

	For the Years Ended December 31,	
	2023	2022
Current		
Federal	\$ —	\$ —
State	—	(1)
Non-U.S.	—	—
Total current	—	(1)
Deferred:		
Federal	—	(38)
State	—	—
Non-U.S.	—	—
Total deferred	\$ —	\$ (38)
Total provision	\$ —	\$ (39)

The following table presents a reconciliation of the statutory federal rate and the Company's effective tax rate, using a federal statutory rate of 21%:

	For the Years Ended December 31,	
	2023	2022
Statutory federal income (benefit) rate	(21)%	(21)%
Increase (decrease) resulting from:		
State income tax rate	(4)%	(4)%
Change in valuation allowance	29 %	28 %
Stock-based compensation	2 %	— %
Tax credits	(6)%	(4)%
Fixed assets	— %	1 %
Effective tax rate	— %	— %

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The components of the Company's deferred tax assets and liabilities consisted of (in thousands):

	December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss ("NOL") carryforwards	\$ 23,111	\$ 15,154
R&D credit carryforwards	10,502	6,751
Stock-based compensation	2,083	2,211
Research and experimental expenditures under IRC Section 174	14,063	5,062
Lease liability	2,507	1,734
Disallowed interest expense	2,767	1,841
Accruals and other	1,064	(222)
	56,097	32,531
Valuation allowance	(44,606)	(27,049)
Total deferred tax asset	11,491	5,482
Deferred tax liability:		
Fixed assets	(1,967)	(1,986)
Right of use asset	(2,496)	(1,666)
Capitalized internal-use software	(7,028)	(1,830)
Total deferred tax liability	\$ (11,491)	\$ (5,482)
Net deferred tax liability	\$ —	\$ —

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Based on evidence of Company's earnings history, the net U.S. deferred tax assets have been fully offset by a valuation allowance.

The valuation allowance increased by \$17.6 million and \$14.3 million during the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023, the Company had federal and state NOL carryforwards of \$91.4 million and \$66.0 million, respectively. The federal NOL carryforwards consisted of \$16.0 million generated before January 1, 2018, which will begin to expire in 2027 but are able to offset 100% of taxable income and \$75.4 million generated after December 31, 2017 that will carryforward indefinitely but will be subject to 80% taxable income limitation beginning in tax years after December 31, 2021 as provided by the CARES Act.

The Company has federal research and development ("R&D") credit carryforwards of \$8.8 million which will begin to expire in 2032 and California R&D credit carryforwards of \$4.2 million which do not expire. The Company also has \$0.1 million of California enterprise zone credits which will begin to expire in 2028.

Utilization of some of the federal and state net operating loss and credit carryforwards are subject to annual limitations due to the "change in ownership" provisions of the Internal Revenue Code of 1986 (specifically Section 382), as amended, and similar state provisions. The Company performed a Section 382 analysis through December 31, 2022 and determined that ownership changes occurred in the year 2007, 2009 and 2012. The ownership changes identified had no significant impact on federal and state net operating losses. The annual limitations may result in the expiration of net operating losses and credits before utilization in the future. At this time, we have not finalized a Section 382 analysis through December 31, 2023 to assess whether such an ownership change has occurred that could impact these federal and state net operating losses.

On August 16, 2022, the Inflation Reduction Act was enacted in the U.S. and introduced a 15% alternative minimum tax based on the financial statement income of certain large corporations ("CAMT") and an excise tax of 1% of stock

repurchases, effective January 1, 2023. The various provisions of the Inflation Reduction Act do not have a material impact on the Company's consolidated financial statements for the year ended December 31, 2023.

### ***Uncertain Income Tax Positions***

The following table summarizes the activity related to the Company's unrecognized tax benefits (in thousands):

	For the Years Ended December 31,	
	2023	2022
Balance at beginning of year	\$ 1,239	\$ 817
Tax positions related to the current year:		
Additions	649	442
Reductions	—	—
Tax positions related to the prior year:		
Additions	1	—
Reductions	—	(20)
Balance at end of year	<u>\$ 1,889</u>	<u>\$ 1,239</u>

The total amount of unrecognized tax benefits as of December 31, 2023 was \$1.9 million, all related to federal and state tax jurisdictions. If recognized, none of the unrecognized tax benefits would affect the effective tax rate.

The Company's policy is to account for interest and penalties as income tax expense. As of December 31, 2023, the Company had no interest related to unrecognized tax benefits. No amounts of penalties related to unrecognized tax benefits were recognized in the provision for income taxes. The Company does not anticipate any significant change within twelve months of this reporting date.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is subject to U.S. federal and state income tax examination for calendar tax years beginning in 2007 due to NOLs that are being carried forward for tax purposes.

### **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures**

None.

### **Item 9A. Controls and Procedures**

#### ***Inherent Limitations on Effectiveness of Controls***

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

#### ***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and



forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the disclosure controls and procedures are met. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that due to the material weaknesses described below, our disclosure controls and procedures were not effective at a reasonable assurance level as of December 31, 2023.

### ***Management's Report on Internal Control Over Financial Reporting***

This annual report does not include an attestation report of our registered public accounting firm due to an exemption for "emerging growth companies."

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

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2023 based on the criteria described in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Based on this assessment, our management concluded that our internal control over financial reporting was not effective as of December 31, 2023, due to the three material weaknesses in our internal control over financial reporting described below.

As previously reported, management has determined that the Company had the following material weaknesses in its internal control over financial reporting, which continued to exist as of December 31, 2023:

- i. our controls were not operating effectively to allow sufficient and timely review of significant accounting transactions, account reconciliations and presentation of the statement of cash flows;
- ii. our controls over certain equity transactions were not operating effectively to allow management to timely identify errors related to the recording of those transactions; specifically, we did not have sufficient technical resources to appropriately identify errors in the accounting for equity awards, resulting in misstatements relating to completeness and accuracy of stock-based compensation; and
- iii. our controls were not adequately designed and operating effectively to allow sufficient and timely review of the key assumptions and mathematical accuracy of our going concern assessment.

### ***Remediation activities***

In response to these material weaknesses, with the oversight from the Audit Committee of the Board of Directors, we have continued to implement significant changes to improve our internal control structure. Specifically, our remediation efforts include the following:

- (1) strengthening our internal controls over financial reporting and the design of our internal-control framework through enhanced accounting policies, control activities, and monitoring;
- (2) enhancing the precision of control around balance sheets reconciliation and cash flow review controls, including the review of underlying source data and procedures to strengthen the retention of contemporaneous documentation of control reviews;

(3) implementing a new enterprise resource planning (“ERP”) system, additional financial modules to support reconciliations, and other systems and processes related to fixed assets, leases, revenue recognition, and equity administration to increase capabilities over our consolidated financial statement recording and reporting processes;

(4) hiring additional full-time accounting personnel with appropriate levels of experience to increase our accounting and technical expertise, including a new Chief Financial Officer, a Corporate Controller, an Internal Controls Manager, a Tax Manager, a Director of IT, and additional accounting staff, all with public company experience and / or a Certified Public Accountant certification; and

(5) reallocating responsibilities across our accounting organization so that the appropriate level of knowledge and experience is applied based on complexity of transactions.

We intend to continue to take steps to remediate the material weaknesses described above, design and implement additional controls, and further evolve our accounting processes. The remaining material weaknesses cannot be considered fully remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We believe the actions described above, once fully implemented and tested, will be sufficient to remediate the identified material weaknesses and strengthen our internal controls.

#### ***Changes in Internal Control over Financial Reporting***

Except as otherwise described herein, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Item 9B. Other Information**

None.

#### **Item 9C. Disclosure Regarding Foreign Jurisdiction That Prevent Inspections**

Not applicable.

### **Part III**

#### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this item is incorporated by reference to the definitive Proxy Statement for the 2024 Annual Meeting of Stockholders.

#### **Item 11. Executive Compensation**

The information required by this item is incorporated by reference to the definitive Proxy Statement for the 2024 Annual Meeting of Stockholders.

#### **Item 12. Security Ownership of Certain Beneficial Owner and Management and Related Stockholder Matters**

The information required by this item is incorporated by reference to the definitive Proxy Statement for the 2024 Annual Meeting of Stockholders.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this item is incorporated by reference to the definitive Proxy Statement for the 2024 Annual Meeting of Stockholders.

#### **Item 14. Principal Accounting Fees and Services**

The information required by this item is incorporated by reference to the definitive Proxy Statement for the 2024 Annual Meeting of Stockholders.

**Part IV**

**Item 15. Exhibits and Financial Statement Schedules**

(a)

(1) Financial Statements. We have filed the consolidated financial statements listed in the Index to Consolidated Financial Statements, Schedules, and Exhibits included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

(2) Financial Statement Schedules. All financial statement schedules have been omitted because the information required to be presented in them is not applicable or is shown in the financial statements or related notes, which is incorporated herein by reference.

(3) Exhibits. The following exhibits are included herein or incorporated herein by reference:

## Table of Contents

Exhibit Number	Description	Form	Incorporated by Reference			Filed Herewith
			File No.	Exhibit	Filing Date	
3.1	<a href="#">Restated Certificate of Incorporation of Registrant, as amended and currently in effect.</a>	10-Q	001-41026	3.1	08/14/2023	
3.2	<a href="#">Amended and Restated Bylaws</a>	10-Q	001-41026	3.2	12/14/2021	
3.3	<a href="#">Certificate of Retirement</a>	8-K	001-41026	3.1	07/10/2023	
4.1	<a href="#">Description of the Registrant's Securities Registered Pursuant to Section 12 of the Exchange Act of 1934</a>	10-K	001-41026	4.1	03/28/2022	
10.1	<a href="#">Form of Indemnification Agreement by and between the Registrant and each of its directors and executive officers.</a>	S-1	333-260333	10.1	10/18/2021	
10.2+	<a href="#">2011 Stock Plan, as amended, and forms of agreements thereunder.</a>	S-1	333-260333	10.2	10/18/2021	
10.3+	<a href="#">Amended and Restated 2021 Equity Incentive Plan and form of agreements thereunder</a>					X
10.4+	<a href="#">2021 Employee Stock Purchase Plan.</a>	S-1	333-260333	10.4	11/02/2021	
10.5+	<a href="#">Offer Letter, dated February 14, 2020, by and between the Company and Frank Patchel.</a>	S-1	333-260333	10.5	10/18/2021	
10.6†	<a href="#">Loan and Security Agreement, dated October 21, 2021, by and between the Company and City National Bank.</a>	S-1	333-260333	10.6	10/18/2021	
10.7	<a href="#">First Amendment to the Loan and Security Agreement, dated October 21, 2021, by and between the Company and City National Bank.</a>	10-K	001-41026	10.8	03/28/2022	
10.8	<a href="#">Second Amendment to the Loan and Security Agreement, dated as of October 21, 2021, by and between the Registrant and City National Bank</a>	8-K	001-41026	10.1	04/27/2022	
10.9	<a href="#">Third Amendment to the Loan and Security Agreement, dated as of January 20, 2023, by and between the Registrant and City National Bank</a>	10-K	001-41026	10.10	03/31/2023	
10.10	<a href="#">Fourth Amendment to the Loan and Security Agreement, dated as of December 29, 2023, by and between the Registrant and City National Bank</a>					X
21.1	<a href="#">List of Subsidiaries of Backblaze, Inc.</a>					X
23.1	<a href="#">Consent of BDO USA, P.C., Independent Registered Public Accounting Firm.</a>					X
24.1	<a href="#">Power of Attorney (contained on signature page to this report).</a>					X
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
32.1*	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
32.2*	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
97.1	<a href="#">Policy relating to recovery of erroneously awarded compensation, as required by applicable listing standards adopted pursuant to 17 CFR 240.10D-1</a>					X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).					X

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\* The certifications attached as Exhibit 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Backblaze, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

+ Indicates management contract or compensatory plan, contract or agreement.

† Pursuant to Item 601(a)(5) of Regulation S-K, certain exhibits and schedules to this agreement have been omitted. The Company hereby agrees to furnish supplementally to the Securities and Exchange Commission, upon its request, any or all of such omitted exhibits and/or schedules.

- (b) Exhibits. See Item 15(a)(3) above.
- (c) Financial Statement Schedules. See Item 15(a)(2) above.

**Item 16. Form 10-K Summary**

Not Applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Mateo, State of California, on this 29th day of March, 2024.

Backblaze, Inc.

/s/ Gleb Budman  
\_\_\_\_\_  
Gleb Budman  
Chief Executive Officer and Chairperson

POWER OF ATTORNEY

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

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

Signature	Title	Date
/s/ Gleb Budman	Chief Executive Officer and Chairperson	March 29, 2024
Gleb Budman	(Principal Executive Officer)	
/s/ Frank Patchel	Chief Financial Officer	March 29, 2024
Frank Patchel	(Principal Financial and Accounting Officer)	
/s/ Jocelyn Carter-Miller	Director	March 29, 2024
Jocelyn Carter-Miller		
/s/ Barbara Nelson	Director	March 29, 2024
Barbara Nelson		
/s/ Earl E. Fry	Director	March 29, 2024
Earl E. Fry		
/s/ Evelyn D’An	Director	March 29, 2024
Evelyn D’An		



# **Backblaze, Inc.**

## **2021 Equity Incentive Plan**

**(Originally Adopted on October 25, 2021, Approved by the Stockholders on October 28, 2021  
and Effective on the IPO Date)**

**(Amended and Restated Effective June 5, 2023)**

# **Backblaze, Inc.**

## **2021 Equity Incentive Plan**

### **ARTICLE 1. INTRODUCTION.**

The Board originally adopted the Plan on October 25, 2021, approved by the Company's stockholders on October 28, 2021 and became effective on the IPO Date. The Plan was amended and restated, subject to stockholder approval, by the Board on April 13, 2023 and effective upon stockholder approval on June 5, 2023. The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by: (a) encouraging Service Providers to focus on critical long-range corporate objectives, (b) encouraging the attraction and retention of Service Providers with exceptional qualifications and (c) linking Service Providers directly to stockholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of Options (which may be ISOs or NSOs), SARs, Restricted Shares and Restricted Stock Units. Capitalized terms used in this Plan are defined in Article 14.

### **ARTICLE 2. ADMINISTRATION.**

**2.1 General.** The Plan may be administered by the Board or one or more Committees to which the Board (or an authorized Board committee) has delegated authority. If administration is delegated to a Committee, the Committee shall have the powers theretofore possessed by the Board, including, to the extent permitted by applicable law, the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to either the Board or the Administrator shall hereafter also encompass the Committee or subcommittee, as applicable). The Board may abolish the Committee's delegation at any time and the Board shall at all times also retain the authority it has delegated to the Committee. The Administrator shall comply with rules and regulations applicable to it, including under the rules of any exchange on which the Common Shares are traded, and shall have the authority and be responsible for such functions as have been assigned to it.

**2.2 Section 16.** To the extent desirable to qualify transactions hereunder as exempt under Exchange Act Rule 16b-3, the transactions contemplated hereunder will be approved by the entire Board or a Committee of two or more "non-employee directors" within the meaning of Exchange Act Rule 16b-3.

**2.3 Powers of Administrator.** Subject to the terms of the Plan, and in the case of a Committee, subject to the specific duties delegated to the Committee, the Administrator shall have the authority to (a) select the Service Providers who are to receive Awards under the Plan, (b) determine the type, number, vesting requirements and other features and conditions of such Awards, (c) interpret the Plan and Awards granted under the Plan, (d) make, amend and rescind rules relating to the Plan and Awards granted under the Plan, including rules relating to sub-plans established for the purposes of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws, (e) impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by a Participant of any Common Shares issued pursuant to an Award, including restrictions under an insider trading policy and restrictions as to the use of a specified brokerage firm for such resales, (f) determine whether, when, and to what extent an Award has become vested and/or exercisable and whether any performance-based vesting conditions have been satisfied, and (g) make all other decisions relating to the operation of the Plan and Awards granted under the Plan. In addition, with regard to the terms and conditions of Awards granted to Service Providers outside

of the United States or not subject to taxation under the laws of the United States, the Administrator may vary from the provisions of the Plan to the extent it determines it necessary and appropriate to do so, including, where applicable, varying from the requirements set forth in Articles 5.3 and 6.3.

**2.4 Effect of Administrator's Decisions.** The Administrator's decisions, determinations and interpretations shall be final and binding on all interested parties.

**2.5 Governing Law.** The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware (except its choice-of-law provisions).

### **ARTICLE 3. SHARES AVAILABLE FOR GRANTS.**

**3.1 Basic Limitation.** Common Shares issued pursuant to the Plan may be authorized but unissued shares or treasury shares. The aggregate number of Common Shares issued under the Plan shall not exceed the sum of (a) 14,662,500 Common Shares, plus (b) up to 13,719,000 Common Shares subject to awards granted under the Predecessor Plan that are outstanding on the IPO Date and that subsequently are forfeited, expire or lapse unexercised or unsettled and Common Shares issued pursuant to awards granted under the Predecessor Plan that are outstanding on the IPO Date and that are subsequently forfeited to or reacquired by the Company, and (c) the additional Common Shares described in Articles 3.2 and 3.3. The number of Common Shares that are subject to Awards outstanding at any time under the Plan may not exceed the number of Common Shares that then remain available for issuance under the Plan. The numerical limitations in this Article 3.1 shall be subject to adjustment pursuant to Article 9.

**3.2 Annual Increase in Shares.** On the first day of each fiscal year of the Company during the term of the Plan, commencing on January 1, 2022 and ending on (and including) January 1, 2031, the aggregate number of Common Shares that may be issued under the Plan shall automatically increase by a number equal to the least of (a) 5% of the total number of Common Shares with respect to each of January 1, 2022 and January 1, 2023, and 5% of the total number of shares of the Company's common stock, including Class A Common Stock and Class B Common Stock, with respect to all remaining years, in each case, actually issued and outstanding on the last day of the preceding fiscal year, (b) 4,784,100 Common Shares (subject to adjustment pursuant to Article 9), or (c) a lesser number of Common Shares (including zero) determined by the Board.

**3.3 Shares Returned to Reserve.** To the extent that Options, SARs, Restricted Stock Units or other Awards are forfeited, cancelled or expire for any reason before being exercised or settled in full, the Common Shares subject to such Awards shall again become available for issuance under the Plan. If SARs are exercised or Restricted Stock Units are settled, then only the number of Common Shares (if any) actually issued to the Participant upon exercise of such SARs or settlement of such Restricted Stock Units, as applicable, shall reduce the number of Common Shares available under Article 3.1 and the balance shall again become available for issuance under the Plan. If Restricted Shares or Common Shares issued upon the exercise of Options are reacquired by the Company pursuant to a forfeiture provision, repurchase right or for any other reason, then such Common Shares shall again become available for issuance under the Plan. Common Shares applied to pay the Exercise Price of Options or to satisfy tax withholding obligations related to any Award shall again become available for issuance under the Plan. To the extent that an Award is settled in cash rather than Common Shares, the cash settlement shall not reduce the number of Shares available for issuance under the Plan.

**3.4 Awards Not Reducing Share Reserve.** To the extent permitted under applicable exchange listing standards, any dividend equivalents paid or credited under the Plan with respect to Restricted Stock Units shall not be applied against the number of Common Shares that may be

issued under the Plan, whether or not such dividend equivalents are converted into Restricted Stock Units. In addition, Common Shares subject to Substitute Awards granted by the Company shall not reduce the number of Common Shares that may be issued under Article 3.1, nor shall shares subject to Substitute Awards again be available for Awards under the Plan in the event of any forfeiture, expiration or cash settlement of such Substitute Awards.

**3.5 Code Section 422 and Other Limits.** Subject to adjustment in accordance with Article 9:

(a) The aggregate grant date fair value of Awards granted to an Outside Director during any one fiscal year of the Company may not exceed \$1,000,000 (on a per-Director basis); *provided however* that the limitation that will apply in the fiscal year in which the Outside Director is initially appointed or elected to the Board shall instead be \$2,000,000. For purposes of this limitation, grant date fair value of an Award shall be determined in accordance with the assumptions that the Company uses to estimate the value of share-based payments for financial reporting purposes. For the sake of clarity, neither (i) Awards granted, nor compensation paid, to an individual for their service while they were an Employee or Consultant, but not as an Outside Director, nor (ii) Awards granted pursuant to an Outside Director's election to receive Awards in lieu of cash retainers or other fees shall count towards this limitation.

(b) No more than 66,822,210 Common Shares (subject to adjustment pursuant to Article 9) may be issued under the Plan upon the exercise of ISOs.

**ARTICLE 4. ELIGIBILITY.**

**4.1 Incentive Stock Options.** Only Employees who are common-law employees of the Company, a Parent or a Subsidiary shall be eligible for the grant of ISOs. In addition, an Employee who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company or any of its Parents or Subsidiaries shall not be eligible for the grant of an ISO unless the additional requirements set forth in Code Section 422(c)(5) are satisfied.

**4.2 Other Awards.** Awards other than ISOs may be granted to both Employees and other Service Providers.

**ARTICLE 5. OPTIONS.**

**5.1 Stock Option Agreement.** Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The Stock Option Agreement shall specify whether the Option is intended to be an ISO or an NSO. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.

**5.2 Number of Shares.** Each Stock Option Agreement shall specify the number of Common Shares subject to the Option, which number shall adjust in accordance with Article 9.

**5.3 Exercise Price.** Each Stock Option Agreement shall specify the Exercise Price, which shall not be less than 100% of the Fair Market Value of a Common Share on the date of grant. The preceding sentence shall not apply to an Option that is a Substitute Award granted in a manner that would satisfy the requirements of Code Section 409A and, if applicable, Code Section 424(a).

**5.4 Exercisability and Term.** Each Stock Option Agreement shall specify the date or event when all or any installment of the Option is to become vested and/or exercisable. The

vesting and exercisability conditions applicable to the Option may include service-based conditions, performance-based conditions, such other conditions as the Administrator may determine, or any combination of such conditions. The Stock Option Agreement shall also specify the term of the Option; provided that, except to the extent necessary to comply with applicable foreign law, the term of an Option shall in no event exceed 10 years from the date of grant. A Stock Option Agreement may provide for accelerated vesting and/or exercisability upon certain specified events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's service.

**5.5 Death of Optionee.** After an Optionee's death, any vested and exercisable Options held by such Optionee may be exercised by their beneficiary or beneficiaries, their estate or legal heirs, as applicable. If permitted by the Administrator and valid under applicable law, each Optionee may designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Optionee's death. If no beneficiary was designated or permitted, if the designation is not valid under applicable law, or if no designated beneficiary survives the Optionee, then any vested and exercisable Options held by the Optionee may be exercised by their estate.

**5.6 Modification or Assumption of Options.** Within the limitations of the Plan, the Administrator may modify, reprice, extend or assume outstanding options or may accept the cancellation of outstanding options (whether granted by the Company or by another issuer) in return for the grant of new Options for the same or a different number of shares and at the same or a different exercise price or in return for the grant of a different type of Award. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, materially impair their rights or obligations under such Option.

**5.7 Buyout Provisions.** The Administrator may at any time (a) offer to buy out for a payment in cash or cash equivalents an Option previously granted or (b) authorize an Optionee to elect to cash out an Option previously granted, in either case at such time and based upon such terms and conditions as the Administrator shall establish.

**5.8 Payment for Option Shares.** The entire Exercise Price of Common Shares issued upon exercise of Options shall be payable in cash or cash equivalents at the time when such Common Shares are purchased. In addition, the Administrator may, in its sole discretion and to the extent permitted by applicable law, accept payment of all or a portion of the Exercise Price through any one or a combination of the following forms or methods:

(a) Subject to any conditions or limitations established by the Administrator, by surrendering, or attesting to the ownership of, Common Shares that are already owned by the Optionee with a value on the date of surrender equal to the aggregate exercise price of the Common Shares as to which such Option will be exercised;

(b) By delivering (on a form prescribed by the Company) an irrevocable direction to a securities broker approved by the Company to sell all or part of the Common Shares being purchased under the Plan and to deliver all or part of the sales proceeds to the Company;

(c) Subject to such conditions and requirements as the Administrator may impose from time to time, through a net exercise or other cashless exercise procedure; or

(d) Through any other form or method consistent with applicable laws, regulations and rules.

## **ARTICLE 6. STOCK APPRECIATION RIGHTS.**

**6.1 SAR Agreement.** Each grant of a SAR under the Plan shall be evidenced by a SAR Agreement between the Optionee and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various SAR Agreements entered into under the Plan need not be identical.

**6.2 Number of Shares.** Each SAR Agreement shall specify the number of Common Shares to which the SAR pertains, which number shall adjust in accordance with Article 9.

**6.3 Exercise Price.** Each SAR Agreement shall specify the Exercise Price, which shall in no event be less than 100% of the Fair Market Value of a Common Share on the date of grant. The preceding sentence shall not apply to a SAR that is a Substitute Award granted in a manner that would satisfy the requirements of Code Section 409A.

**6.4 Exercisability and Term.** Each SAR Agreement shall specify the date when all or any installment of the SAR is to become vested and exercisable. The vesting and exercisability conditions applicable to the SAR may include service-based conditions, performance-based conditions, such other conditions as the Administrator may determine, or any combination thereof. The SAR Agreement shall also specify the term of the SAR; provided that except to the extent necessary to comply with applicable foreign law, the term of a SAR shall not exceed 10 years from the date of grant. A SAR Agreement may provide for accelerated vesting and exercisability upon certain specified events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's service.

**6.5 Exercise of SARs.** Upon exercise of a SAR, the Optionee (or any person having the right to exercise the SAR after their death) shall receive from the Company (a) Common Shares, (b) cash or (c) a combination of Common Shares and cash, as the Administrator shall determine. The amount of cash and/or the Fair Market Value of Common Shares received upon exercise of SARs shall, in the aggregate, not exceed the amount by which the Fair Market Value (on the date of surrender) of the Common Shares subject to the SARs exceeds the Exercise Price. If, on the date when a SAR expires, the Exercise Price is less than the Fair Market Value on such date but any portion of such SAR has not been exercised or surrendered, then such SAR shall automatically be deemed to be exercised as of such date with respect to such portion. A SAR Agreement may also provide for an automatic exercise of the SAR on an earlier date.

**6.6 Death of Optionee.** After an Optionee's death, any vested and exercisable SARs held by such Optionee may be exercised by their beneficiary or beneficiaries or their estate or legal heirs, as applicable. If permitted by the Administrator and valid under applicable law, each Optionee may designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Optionee's death. If no beneficiary was permitted or designated, if the designation is not valid under applicable law, or if no designated beneficiary survives the Optionee, then any vested and exercisable SARs held by the Optionee at the time of their death may be exercised by their estate or legal heirs.

**6.7 Modification or Assumption of SARs.** Within the limitations of the Plan, the Administrator may modify, reprice, extend or assume outstanding SARs or may accept the cancellation of outstanding SARs (whether granted by the Company or by another issuer) in return for the grant of new SARs for the same or a different number of shares and at the same or a different exercise price or in return for the grant of a different type of Award. The foregoing notwithstanding, no modification of a SAR shall, without the consent of the Optionee, materially impair their rights or obligations under such SAR.

## **ARTICLE 7. RESTRICTED SHARES.**

**7.1 Restricted Stock Agreement.** Each grant of Restricted Shares under the Plan shall be evidenced by a Restricted Stock Agreement between the recipient and the Company. Such Restricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Restricted Stock Agreements entered into under the Plan need not be identical.

**7.2 Payment for Awards.** Restricted Shares may be sold or awarded under the Plan for such consideration as the Administrator may determine, including (without limitation) cash, cash equivalents, property, cancellation of other equity awards, promissory notes, past services and future services, and such other methods of payment as are permitted by applicable law.

**7.3 Vesting Conditions.** Each Award of Restricted Shares may or may not be subject to vesting and/or other conditions as the Administrator may determine. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Stock Agreement. Vesting conditions may include service-based conditions, performance-based conditions, such other conditions as the Administrator may determine, or any combination thereof. A Restricted Stock Agreement may provide for accelerated vesting upon certain specified events.

**7.4 Voting and Dividend Rights.** The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other stockholders, unless the Administrator otherwise provides. A Restricted Stock Agreement, however, may require that any cash dividends paid on Restricted Shares (a) be accumulated and paid when such Restricted Shares vest, or (b) be invested in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the shares subject to the Award with respect to which the dividends were paid. In addition, unless the Administrator provides otherwise, if any dividends or other distributions are paid in Common Shares, such Common Shares shall be subject to the same restrictions on transferability and forfeitability as the Restricted Shares with respect to which they were paid.

**7.5 Modification or Assumption of Restricted Shares.** Within the limitations of the Plan, the Administrator may modify or assume outstanding Restricted Shares or may accept the cancellation of outstanding restricted shares (whether granted by the Company or by another issuer) in return for the grant of new Restricted Shares for the same or a different number of shares or in return for the grant of a different type of Award. The foregoing notwithstanding, no modification of Restricted Shares shall, without the consent of the Participant, materially impair their rights or obligations under such Restricted Shares.

## **ARTICLE 8. RESTRICTED STOCK UNITS.**

**8.1 Restricted Stock Unit Agreement.** Each grant of Restricted Stock Units under the Plan shall be evidenced by a Restricted Stock Unit Agreement between the recipient and the Company. Such Restricted Stock Units shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Restricted Stock Unit Agreements entered into under the Plan need not be identical.

**8.2 Payment for Awards.** To the extent that an Award is granted in the form of Restricted Stock Units, no cash consideration shall be required of the Award recipients.

**8.3 Vesting Conditions.** Each Award of Restricted Stock Units may or may not be subject to vesting, as determined by the Administrator. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Stock Unit Agreement. Vesting conditions may include service-based conditions, performance-based

conditions, such other conditions as the Administrator may determine, or any combination thereof. A Restricted Stock Unit Agreement may provide for accelerated vesting upon certain specified events.

**8.4 Voting and Dividend Rights.** The holders of Restricted Stock Units shall have no voting rights. Prior to settlement or forfeiture, Restricted Stock Units awarded under the Plan may, at the Administrator's discretion, provide for a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash dividends paid on one Common Share while the Restricted Stock Unit is outstanding. Dividend equivalents may be converted into additional Restricted Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of Common Shares, or in a combination of both. Prior to distribution, any dividend equivalents shall be subject to the same conditions and restrictions as the Restricted Stock Units to which they attach.

**8.5 Form and Time of Settlement of Restricted Stock Units.** Settlement of vested Restricted Stock Units may be made in the form of (a) cash, (b) Common Shares or (c) any combination of both, as determined by the Administrator. The actual number of Restricted Stock Units eligible for settlement may be larger or smaller than the number included in the original Award, based on predetermined performance factors. Methods of converting Restricted Stock Units into cash may include (without limitation) a method based on the average value of Common Shares over a series of trading days. Vested Restricted Stock Units shall be settled in such manner and at such time(s) as specified in the Restricted Stock Unit Agreement. Until an Award of Restricted Stock Units is settled, the number of such Restricted Stock Units shall be subject to adjustment pursuant to Article 9.

**8.6 Death of Recipient.** Any Restricted Stock Units that become payable after the recipient's death shall be distributed to the recipient's beneficiary or beneficiaries or their estate or legal heirs. If permitted by the Administrator and valid under applicable law, each recipient of Restricted Stock Units under the Plan may designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Award recipient's death. If no beneficiary was designated or permitted, if the designation is not valid under applicable law, or if no designated beneficiary survives the Award recipient, then any Restricted Stock Units that become payable after the recipient's death shall be distributed to the recipient's estate or legal heirs.

**8.7 Modification or Assumption of Restricted Stock Units.** Within the limitations of the Plan, the Administrator may modify or assume outstanding restricted stock units or may accept the cancellation of outstanding restricted stock units (whether granted by the Company or by another issuer) in return for the grant of new Restricted Stock Units for the same or a different number of shares or in return for the grant of a different type of Award. The foregoing notwithstanding, no modification of a Restricted Stock Unit shall, without the consent of the Participant, materially impair their rights or obligations under such Restricted Stock Unit.

**8.8 Creditors' Rights.** A holder of Restricted Stock Units shall have no rights other than those of a general creditor of the Company. Restricted Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Restricted Stock Unit Agreement.

## **ARTICLE 9. ADJUSTMENTS; DISSOLUTIONS AND LIQUIDATIONS; CORPORATE TRANSACTIONS.**

**9.1 Adjustments.** In the event of a subdivision of the outstanding Common Shares, a declaration of a dividend payable in Common Shares, a combination or consolidation of the outstanding Common Shares (by reclassification or otherwise) into a lesser number of Common



Shares or any other increase or decrease in the number of issued Common Shares effected without receipt of consideration by the Company, proportionate adjustments shall be made to the following:

- (a) The number and kind of shares available for issuance under Article 3, including the numerical share limits in Articles 3.1, 3.2 and 3.5;
- (b) The number and kind of shares covered by each outstanding Option, SAR and Restricted Stock Unit; and/or
- (c) The Exercise Price applicable to each outstanding Option and SAR, and the repurchase price, if any, applicable to Award shares.

In the event of a declaration of an extraordinary dividend payable in a form other than Common Shares in an amount that has a material effect on the price of Common Shares, a recapitalization, a spin-off or a similar occurrence, the Administrator may make such adjustments as it, in its sole discretion, deems appropriate to the foregoing. Any adjustment in the number of shares subject to an Award under this Article 9.1 shall be rounded down to the nearest whole share, although the Administrator in its sole discretion may make a cash payment in lieu of a fractional share. Except as provided in this Article 9, a Participant shall have no rights by reason of any issuance by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

**9.2 Dissolution or Liquidation.** To the extent not previously exercised or settled, Options, SARs and Restricted Stock Units shall terminate immediately prior to the dissolution or liquidation of the Company.

**9.3 Corporate Transactions.** In the event that the Company is a party to a merger, consolidation, or a Change in Control (other than one described in Article 14.6(d)), all Common Shares acquired under the Plan and all Awards outstanding on the effective date of the transaction shall be treated in the manner described in the definitive transaction agreement (or, in the event the transaction does not entail a definitive agreement to which the Company is party, in the manner determined by the Administrator, with such determination having final and binding effect on all parties), which agreement or determination need not treat all Awards (or portions thereof) in an identical manner. Unless an Award Agreement provides otherwise, the treatment specified in the transaction agreement or by the Administrator may include (without limitation) one or more of the following with respect to each outstanding Award:

- (a) The continuation of such outstanding Award by the Company (if the Company is the surviving entity);
- (b) The assumption of such outstanding Award by the surviving entity or its parent, provided that the assumption of an Option or a SAR shall comply with applicable tax and regulatory requirements;
- (c) The substitution by the surviving entity or its parent of an equivalent award for such outstanding Award (including, but not limited to, an award to acquire the same consideration paid to the holders of Common Shares in the transaction), provided that the substitution of an Option or a SAR shall comply with applicable tax and regulatory requirements;
- (d) In the case of an Option or SAR, the cancellation of such Award without payment of any consideration. An Optionee shall be able to exercise their outstanding Option or SAR, to the extent such Option or SAR is then vested or

becomes vested as of the effective time of the transaction, during a period of not less than five full business days preceding the closing date of the transaction, unless (i) a shorter period is required to permit a timely closing of the transaction and (ii) such shorter period still offers the Optionee a reasonable opportunity to exercise such Option or SAR. Any exercise of such Option or SAR during such period may be contingent on the closing of the transaction;

(e) The cancellation of such Award and a payment to the Participant with respect to each share subject to the portion of the Award that is vested or becomes vested as of the effective time of the transaction equal to the excess of (A) the value, as determined by the Administrator in its absolute discretion, of the property (including cash) received by the holder of a Common Share as a result of the transaction, over (if applicable) (B) the per-share Exercise Price of such Award (such excess, if any, the “**Spread**”). Such payment shall be made in the form of cash, cash equivalents, or securities of the surviving entity or its parent having a value equal to the Spread. In addition, any escrow, holdback, earn-out or similar provisions in the transaction agreement may apply to such payment to the same extent and in the same manner as such provisions apply to the holders of Common Shares. If the Spread applicable to an Award (whether or not vested) is zero or a negative number, then the Award may be cancelled without making a payment to the Participant. In the event that an Award is subject to Code Section 409A, the payment described in this clause (e) shall be made on the settlement date specified in the applicable Award Agreement, provided that settlement may be accelerated in accordance with Treasury Regulation Section 1.409A-3(j)(4); or

(f) The assignment of any reacquisition or repurchase rights held by the Company in respect of an Award of Restricted Shares to the surviving entity or its parent, with corresponding proportionate adjustments made to the price per share to be paid upon exercise of any such reacquisition or repurchase rights.

Unless an Award Agreement provides otherwise, each outstanding Award held by a Participant who remains a Service Provider as of the effective time of a merger, consolidation or Change in Control (other than one described in Article 14.7(d)) (a “**Current Participant**”) shall become fully vested and, if applicable, exercisable immediately prior to the effective time of the transaction and, in the case of an Award subject to performance-based vesting conditions, such performance-based vesting conditions shall be deemed achieved at 100% of target levels. However, the prior sentence shall not apply, and an outstanding Award shall not become vested and, if applicable, exercisable, if and to the extent the Award is continued, assumed or substituted as provided for in clauses (a), (b) or (c) above. In addition, the prior two sentences shall not apply to an Award held by a Participant who is not a Current Participant, unless an Award Agreement provides otherwise or unless the Company and the acquirer agree otherwise.

For avoidance of doubt, the Administrator shall have the discretion, exercisable either at the time an Award is granted or at any time while the Award remains outstanding, to provide for the acceleration of vesting upon the occurrence of a Change in Control, whether or not the Award is to be assumed or replaced in the transaction, or in connection with a termination of the Participant’s service following a transaction.

Any action taken under this Article 9.3 shall either preserve an Award’s status as exempt from Code Section 409A or comply with Code Section 409A.

## **ARTICLE 10. OTHER AWARDS.**

Subject in all events to the limitations under Article 3 above as to the number of Common Shares available for issuance under this Plan, the Company may grant other forms of Awards not

specifically described herein and may grant awards under other plans or programs, where such awards are settled in the form of Common Shares issued under this Plan. Such Common Shares shall be treated for all purposes under the Plan like Common Shares issued in settlement of Restricted Stock Units and shall, when issued, reduce the number of Common Shares available under Article 3.

## **ARTICLE 11.      LIMITATION ON RIGHTS.**

**11.1      Retention Rights.** Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain a Service Provider. The Company and its Parents, Subsidiaries, and Affiliates reserve the right to terminate the service of any Service Provider at any time, with or without cause, and with or without notice, subject to applicable laws, the Company's certificate of incorporation and by-laws and a written employment agreement (if any).

**11.2      Stockholders' Rights.** Except as set forth in Article 7.4 or 8.4 above, a Participant shall have no dividend rights, voting rights or other rights as a stockholder with respect to any Common Shares covered by their Award prior to the time when a stock certificate for such Common Shares is issued or, if applicable, the time when they become entitled to receive such Common Shares by filing any required notice of exercise and paying any required Exercise Price. No adjustment shall be made for cash dividends or other rights for which the record date is prior to such time, except as expressly provided in the Plan.

**11.3      Regulatory Requirements.** Any other provision of the Plan notwithstanding, the obligation of the Company to issue Common Shares under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of Common Shares pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such Common Shares, to their registration, qualification or listing or to an exemption from registration, qualification or listing. The inability or impracticability of the Company to obtain or maintain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Common Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Common Shares as to which such requisite authority will not have been obtained or maintained, and shall enable the Administrator to cancel Awards pertaining to such Common Shares, with or without consideration to the Participant.

**11.4      Transferability of Awards.** The Administrator may, in its sole discretion, permit transfer of an Award in a manner consistent with applicable law (including, other than an ISO, to a "family member" as such term is defined in the General Instructions to Form S-8 (whether by gift or a domestic relations order)). Unless otherwise determined by the Administrator, Awards shall be transferable by a Participant only by (a) beneficiary designation (if permitted by the Administrator and valid under applicable law), (b) a will or (c) the laws of descent and distribution; provided that, in any event, an ISO may only be transferred by will or by the laws of descent and distribution and may be exercised during the lifetime of the Optionee only by the Optionee or by the Optionee's guardian or legal representative. Any transferee shall be bound by and subject to all of the terms and conditions of the Plan and the Award Agreement relating to the transferred Award and shall execute an agreement satisfactory to the Company evidencing such obligations.

**11.5      Recoupment Policy.** All Awards granted under the Plan, all amounts paid under the Plan and all Common Shares issued under the Plan shall be subject to recoupment, clawback or recovery by the Company in accordance with applicable law and with Company policy (whenever adopted) regarding same, whether or not such policy is intended to satisfy the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Sarbanes-

Oxley Act, or other applicable law, as well as any implementing regulations and/or listing standards thereunder.

**11.6 Other Conditions and Restrictions on Common Shares.** Any Common Shares issued under the Plan shall be subject to such forfeiture conditions, rights of repurchase, rights of first refusal, other transfer restrictions and such other terms and conditions as the Administrator may determine. Such conditions and restrictions shall be set forth in the applicable Award Agreement and shall apply in addition to any restrictions that may apply to holders of Common Shares generally. In addition, Common Shares issued under the Plan shall be subject to such conditions and restrictions imposed either by applicable law or by Company policy, as adopted from time to time, designed to ensure compliance with applicable law or laws with which the Company determines in its sole discretion to comply including in order to maintain any statutory, regulatory or tax advantage.

## **ARTICLE 12. TAXES.**

**12.1 General.** It is a condition to each Award under the Plan that a Participant or their successor shall make arrangements satisfactory to the Company for the satisfaction of any federal, state, local or foreign withholding tax obligations that arise in connection with any Award granted under the Plan. The Company shall not be required to issue any Common Shares or make any cash payment under the Plan unless such obligations are satisfied.

**12.2 Withholding.** At the Company's discretion and subject to any Company insider trading policy (including black-out periods), any withholding obligation for Tax-Related Items may be satisfied by (i) deducting an amount sufficient to satisfy such withholding obligation from any payment of any kind otherwise due to a Participant; (ii) accepting a payment from the Participant in cash, by wire transfer of immediately available funds, or by check made payable to the order of the Company, a Parent, Subsidiary or Affiliate, as applicable; (iii) accepting the delivery of Common Shares, including Common Shares delivered by attestation; (iv) retaining Common Shares from the Award creating the withholding obligation for Tax-Related Items, valued on the date of delivery, (v) if there is a public market for Common Shares at the time the withholding obligation for Tax-Related Items is satisfied, selling Common Shares issued pursuant to the Award creating the withholding obligation for Tax-Related Items, either voluntarily by the Participant or mandatorily by the Company; (vi) accepting delivery of a promissory note or any other lawful consideration; or (vii) any combination of the foregoing payment forms. The amount withheld pursuant to any of the foregoing payment forms shall be determined by the Company and may be up to, but no greater than, the aggregate amount of such obligations based on the maximum statutory withholding rates in the applicable Participant's jurisdiction for all Tax-Related Items that are applicable to such taxable income.

If any withholding obligation for Tax-Related Items will be satisfied under clause (iii) of the preceding paragraph, any payment of Tax-Related Items by assigning Common Shares to the Company may be subject to restrictions including any restrictions required by U.S. Securities and Exchange Commission, accounting, or other rules.

If any withholding obligation for Tax-Related Items will be satisfied under clause (v) of the preceding paragraph, each Participant's acceptance of an Award under the Plan will constitute the Participant's authorization to the Company and instruction and authorization to any brokerage firm selected by the Company to effect the sale to complete the transactions described in clause (v).

**12.3 Section 409A Matters.** Except as otherwise expressly set forth in an Award Agreement, it is intended that Awards granted under the Plan either be exempt from, or comply with, the requirements of Code Section 409A. To the extent an Award is subject to Code Section 409A (a "**409A Award**"), the terms of the Plan, the Award and any written agreement governing

the Award shall be interpreted to comply with the requirements of Code Section 409A so that the Award is not subject to additional tax or interest under Code Section 409A, unless the Administrator expressly provides otherwise. A 409A Award shall be subject to such additional rules and requirements as specified by the Administrator from time to time in order for it to comply with the requirements of Code Section 409A. In this regard, if any amount under a 409A Award is payable upon a “separation from service” to an individual who is considered a “specified employee” (as each term is defined under Code Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the Participant’s separation from service or (ii) the Participant’s death, but only to the extent such delay is necessary to prevent such payment from being subject to Code Section 409A(a)(1).

**12.4 Limitation on Liability.** Neither the Company nor any person serving as Administrator shall have any liability to a Participant in the event an Award held by the Participant fails to achieve its intended characterization under applicable tax law.

### **ARTICLE 13. FUTURE OF THE PLAN.**

**13.1 Term of the Plan.** The Plan, as set forth herein, was initially effective on the IPO Date. The Plan shall terminate automatically 10 years after the date on which the stockholders approved the original Plan.

**13.2 Amendment or Termination.** The Board may, at any time and for any reason, amend or terminate the Plan. No Awards shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any Award previously granted under the Plan.

**13.3 Stockholder Approval.** To the extent required by applicable law, the Plan will be subject to the approval of the Company’s stockholders within 12 months of its adoption date. An amendment of the Plan shall be subject to the approval of the Company’s stockholders only to the extent required by applicable laws, regulations or rules.

### **ARTICLE 14. DEFINITIONS.**

**14.1 “Administrator”** means the Board or any Committee administering the Plan in accordance with Article 2.

**14.2 “Affiliate”** means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity.

**14.3 “Award”** means any award granted under the Plan, including as an Option, a SAR, a Restricted Share award, a Restricted Stock Unit award or another form of equity-based compensation award.

**14.4 “Award Agreement”** means a Stock Option Agreement, a SAR Agreement, a Restricted Stock Agreement, a Restricted Stock Unit Agreement or such other agreement evidencing an Award granted under the Plan.

**14.5 “Board”** means the Company’s Board of Directors, as constituted from time to time and, where the context so requires, reference to the “Board” may refer to a Committee to whom the Board has delegated authority to administer any aspect of this Plan.

**14.6 “Change in Control”** means:

(a) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act),

directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total voting power represented by the Company's then-outstanding voting securities;

(b) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(c) The consummation of a merger or consolidation of the Company with or into any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation; or

(d) Individuals who are members of the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the members of the Board over a period of 12 months; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of this Plan, be considered as a member of the Incumbent Board.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. In addition, if a Change in Control constitutes a payment event with respect to any Award which provides for a deferral of compensation and is subject to Code Section 409A, then notwithstanding anything to the contrary in the Plan or applicable Award Agreement the transaction with respect to such Award must also constitute a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by Code Section 409A.

**14.7 "Code"** means the U.S. Internal Revenue Code of 1986, as amended.

**14.8 "Committee"** means a committee of one or more members of the Board, or of other individuals satisfying applicable laws, appointed by the Board to administer the Plan.

**14.9 "Common Share"** means one share of the Company's Class A Common Stock.

**14.10 "Company"** means Backblaze, Inc., a Delaware corporation.

**14.11 "Consultant"** means a consultant or adviser who provides *bona fide* services to the Company, a Parent, a Subsidiary or an Affiliate as an independent contractor and who qualifies as a consultant or advisor under Instruction A.1.(a)(1) of Form S-8 under the Securities Act.

**14.12 "Employee"** means a common-law employee of the Company, a Parent, a Subsidiary or an Affiliate.

**14.13 "Exchange Act"** means the U.S. Securities Exchange Act of 1934, as amended.

**14.14 "Exercise Price,"** in the case of an Option, means the amount for which one Common Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement. "Exercise Price," in the case of a SAR, means an amount,

as specified in the applicable SAR Agreement, which is subtracted from the Fair Market Value of one Common Share in determining the amount payable upon exercise of such SAR.

**14.15 “Fair Market Value”** means the closing price of a Common Share on any established stock exchange or a national market system on the applicable date or, if the applicable date is not a trading day, on the last trading day prior to the applicable date, as reported in a source that the Administrator deems reliable. If Common Shares are not traded on an established stock exchange or a national market system, the Fair Market Value shall be determined by the Administrator in good faith on such basis as it deems appropriate. The Administrator’s determination shall be conclusive and binding on all persons. Notwithstanding the foregoing, the determination of Fair Market Value in all cases shall be in accordance with the requirements set forth under Section 409A of the Code to the extent necessary for an Award to comply with, or be exempt from, Section 409A of the Code.

**14.16 “ISO”** means an incentive stock option described in Code Section 422(b).

**14.17 “IPO Date”** means November 10, 2021, which was the effective date of the registration statement filed by the Company with the U.S. Securities and Exchange Commission for its initial offering of the Common Shares to the public.

**14.18 “NSO”** means a stock option not described in Code Sections 422 or 423.

**14.19 “Option”** means an ISO or NSO granted under the Plan and entitling the holder to purchase Common Shares.

**14.20 “Optionee”** means an individual or estate holding an Option or SAR.

**14.21 “Outside Director”** means a member of the Board who is not an Employee.

**14.22 “Parent”** means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

**14.23 “Participant”** means an individual or estate holding an Award.

**14.24 “Plan”** means this Backblaze, Inc. 2021 Equity Incentive Plan, as amended from time to time.

**14.25 “Predecessor Plan”** means the Company’s 2011 Stock Plan.

**14.26 “Restricted Share”** means a Common Share awarded under the Plan.

**14.27 “Restricted Stock Agreement”** means the agreement consistent with the terms of the Plan between the Company and the recipient of a Restricted Share that contains the terms, conditions and restrictions pertaining to such Restricted Share.

**14.28 “Restricted Stock Unit”** means a bookkeeping entry representing the equivalent of one Common Share, as awarded under the Plan.

**14.29 “Restricted Stock Unit Agreement”** means the agreement consistent with the terms of the Plan between the Company and the recipient of a Restricted Stock Unit that contains the terms, conditions and restrictions pertaining to such Restricted Stock Unit.

**14.30 “SAR”** means a stock appreciation right granted under the Plan.

**14.31 “SAR Agreement”** means the agreement consistent with the terms of the Plan between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to their SAR.

**14.32 “Securities Act”** means the U.S. Securities Act of 1933, as amended.

**14.33 “Service Provider”** means any individual who is an Employee, Outside Director or Consultant, including any prospective Employee, Outside Director or Consultant who has accepted an offer of employment or service and will be an Employee, Outside Director or Consultant after the commencement of their service.

**14.34 “Stock Option Agreement”** means the agreement consistent with the terms of the Plan between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to their Option.

**14.35 “Subsidiary”** means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

**14.36 “Substitute Awards”** means Awards or Common Shares issued by the Company in assumption of, or substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a corporation acquired by the Company or any Affiliate or with which the Company or any Affiliate combines to the extent permitted by the applicable exchange listing requirements.

**14.37 “Tax-Related Items”** means any U.S. and non-U.S. federal, state and/or local taxes (including, without limitation, income tax, social insurance contributions, fringe benefit tax, employment tax, stamp tax and any employer tax liability which has been transferred to a Participant) for which a Participant is liable in connection with Awards and/or Common Shares.



**Backblaze, Inc.**  
**2021 Equity Incentive Plan**  
**Notice of Restricted Stock Unit Award**

You have been granted Restricted Stock Units (“RSUs”), each representing the right to receive one share of common stock of Backblaze, Inc. (the “Company”) on the following terms:

Name of Recipient:	«Name»
Total Number of RSUs Granted:	«TotalRSUs»
Date of Grant:	«DateGrant»
Vesting Schedule:	The first «CliffPercent»% of the RSUs subject to this award will vest on «InitialVestDate» and an additional «IncrementPercent»% of the RSUs subject to this award will vest on each Company Vesting Date thereafter, provided that you remain in continuous service as an [Employee or Consultant] [Outside Director] (“Service”) through each such date. The “Company Vesting Dates” are «VestDay1», «VestDay2», «VestDay3» and «VestDay4».

You and the Company agree that these RSUs are granted under and governed by the terms and conditions of the Company’s 2021 Equity Incentive Plan (the “Plan”) and the Restricted Stock Unit Agreement (including, if applicable, the Appendix for Non-U.S. Participants), both of which are attached to, and made a part of, this document. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Plan.

The Company may, in its sole discretion, decide to deliver any documents related to RSUs awarded under the Plan, future RSUs that may be awarded under the Plan and all documents that the Company is required to deliver to security holders (including annual reports and proxy statements) by email or other electronic means (including posting them on a website maintained by the Company or a third party under contract with the Company). You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through any on-line or electronic system established and maintained by the Company or another third party designated by the Company. You acknowledge that you may incur costs in connection with any such delivery by means of electronic transmission, including the cost of accessing the Internet and printing fees, and that an interruption of Internet access may interfere with your ability to access the documents.

You further agree to comply with the Company’s *Insider Trading Policy*, as in effect from time to time, when selling shares of the Company’s common stock.

**Backblaze, Inc.**  
**2021 Equity Incentive Plan**  
**Restricted Stock Unit Agreement**

**Grant of RSUs**

Subject to all of the terms and conditions set forth in the Notice of Restricted Stock Unit Award (the “Grant Notice”), this Restricted Stock Unit Agreement (the “Agreement”) and the Plan, the Company has granted to you the number of RSUs set forth in the Grant Notice.

All capitalized terms used in this Agreement shall have the meanings assigned to them in this Agreement, the Grant Notice or the Plan.

**Nature of RSUs**

Your RSUs are bookkeeping entries. They represent only the Company’s unfunded and unsecured promise to issue shares of common stock on a future date. As a holder of RSUs, you have no rights other than the rights of a general creditor of the Company.

**Payment for RSUs**

No payment is required for the RSUs that you are receiving.

**Vesting**

The RSUs vest in accordance with the vesting schedule set forth in the Grant Notice.

In no event will any additional RSUs vest after your Service has terminated for any reason unless expressly provided in a written agreement between you and the Company.

The Company determines whether and when your Service terminates for all purposes of your RSUs.

**Termination of Service/Forfeiture**

If your Service terminates for any reason, then your RSUs will be forfeited to the extent that they have not vested before the termination date and do not vest as a result of the termination of your Service. This means that any RSUs that have not vested under this Agreement will be cancelled immediately. You will receive no payment for RSUs that are forfeited.

**Leaves of Absence and Part-Time Work**

For purposes of this award, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing. However, your Service terminates when the approved leave ends, unless you immediately return to active work.

If you go on a leave of absence that lasts more than thirty days, then, to the extent permitted by applicable law, the vesting schedule specified in the Grant Notice will be suspended on the thirty-first day of such leave, and any unvested portion of this award will not vest during the remainder of such leave. Vesting will resume when you return to active Service.

If you commence working on a part-time basis, the Company may adjust the vesting schedule so that the rate of vesting is commensurate with your reduced work schedule.

#### **Settlement of RSUs**

Each RSU will be settled as soon as practicable on or following the date when it vests, but in any event within the “short term deferral period” as defined under Section 409A of the Code. In no event will you be permitted, directly or indirectly, to specify the taxable year of settlement of any RSUs subject to this award.

At the time of settlement, you will receive one share of the Company’s common stock for each vested RSU.

No fractional shares will be issued upon settlement.

#### **Section 409A**

Settlement of these restricted stock units is intended to be exempt from the application of Code Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(4) and shall be administered and interpreted in a manner that complies with such exception.

Notwithstanding the foregoing, if it is determined that settlement of these RSUs is not exempt from Code Section 409A and the Company determines that you are a “specified employee,” as defined in the regulations under Code Section 409A at the time of your “separation from service,” as defined in Treasury Regulation Section 1.409A-1(h), then this paragraph will apply. If this paragraph applies, and the event triggering settlement is your “separation from service,” then any RSUs that otherwise would have been settled during the first six months following your “separation from service” will instead be settled on the first business day following the earlier of (i) the six-month anniversary of your separation from service or (ii) your death.

Each tranche of RSUs that is settled after vesting is hereby designated as a separate payment for purposes of Code Section 409A.

#### **No Voting Rights or Dividends**

Your RSUs carry neither voting rights nor rights to cash dividends. You have no rights as a stockholder of the Company unless and until your RSUs are settled by issuing shares of the Company’s common stock.

**RSUs Nontransferable**

You may not sell, transfer, assign, pledge or otherwise dispose of any RSUs. For instance, you may not use your RSUs as security for a loan.

In addition, regardless of any marital property settlement agreement, the Company is not obligated to recognize your former spouse's interest in your RSUs in any way.

**Beneficiary Designation**

You may dispose of your RSUs in a written beneficiary designation if authorized by the Company and to the extent such beneficiary designation is valid under applicable law. Any beneficiary designation must be filed with the Company on the proper form. It will be recognized only if it has been received at the Company's headquarters before your death. If you file no beneficiary designation or if none of your designated beneficiaries survives you, then your estate will receive any vested RSUs that you hold at the time of your death.

**Withholding Taxes**

Regardless of any action the Company (or, if applicable, the Parent, Subsidiary or Affiliate employing or retaining you (the "Employer")) takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the participation in the Plan and legally applicable to you ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company and/or the Employer. You further acknowledge that the Company and the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including, but not limited to, the grant or vesting of the RSUs, the issuance of shares upon vesting of the RSUs, the subsequent sale of shares acquired pursuant to such vesting and the receipt of any dividends and/or any dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of the RSUs or any aspect of the RSUs to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to tax in more than one jurisdiction, you acknowledge that the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

You agree to that, in connection with your receipt of the RSUs, you are simultaneously entering into an automatic trading arrangement that is intended to comply with the requirements of Rule 10b5-1(c)(1) under the Securities Exchange Act of 1934, as amended, whereby that number of shares issuable upon settlement of the RSUs necessary to satisfy any Tax-Related Items and withholding thereon will be sold automatically through a brokerage firm selected by the Company, unless otherwise determined by the Company or Administrator. Notwithstanding the preceding sentence and upon advance determination by the Administrator, the Company also has the right (but not the obligation) to satisfy any Tax-Related Items: (a) by reducing the number of Shares otherwise deliverable to you; (b) by requiring payment by cash or check made payable to the Company and/or the Employer with respect to which the withholding obligation arises; (c) by deduction of such amount from your current salary, wages or other compensation payable; or (d) in any combination of the foregoing, or any other method determined by the Administrator to be compliance with applicable laws.

The Company may withhold or account for Tax-Related Items by considering the statutory withholding amount or other withholding rates, including maximum applicable rates in your jurisdiction(s). In the event of over-withholding, you may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent in shares), or if not refunded, you may seek a refund from the applicable tax authorities. In the event of under-withholding, you may be required to pay additional Tax-Related Items directly to the applicable tax authorities or to the Company and/or a Parent or Subsidiary thereof. If the withholding obligation for Tax-Related Items is satisfied by withholding in shares of the Company's Common Stock, for tax purposes, you will be deemed to have been issued the full number of shares subject to the RSUs, notwithstanding that a number of shares is held back solely for the purpose of paying the Tax-Related Items.

To the extent there is a failure to comply with any obligations in connection with the Tax-Related Items, the Company may refuse to issue or deliver the shares or the proceeds of the sale of shares of the Company's Common Stock subject to the RSUs.

<b>Restrictions on Issuance</b>	<p>The Company will not issue any shares to you if the issuance of shares at that time would violate any law or regulation.</p> <p>Notwithstanding any other provision in the Plan or this Agreement, unless there is an available exemption from registration, qualification or other legal requirement applicable to the shares of Company common stock, the Company shall not be required to issue any shares to you prior to the completion of any registration or qualification of the shares under any local, state or federal securities law or under rulings or regulations of the Securities and Exchange Commission (“SEC”) or of any other governmental body, or prior to obtaining any approval or other clearance from any local, state or federal governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. You understand that the Company is under no obligation to register or qualify the Company’s shares with the SEC or any state securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares.</p>
<b>Restrictions on Resale</b>	<p>You agree not to sell any shares at a time when applicable laws, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.</p>
<b>No Retention Rights</b>	<p>Your award or this Agreement does not give you the right to be retained by the Company, a Parent, Subsidiary, or an Affiliate in any capacity. The Company and its Parents, Subsidiaries, and Affiliates reserve the right to terminate your Service at any time, with or without cause.</p>
<b>Adjustments</b>	<p>In the event of a stock split, a stock dividend or a similar change in Company stock, the number of your RSUs will be adjusted pursuant to the Plan.</p>
<b>Effect of Significant Corporate Transactions</b>	<p>If the Company is a party to a merger, consolidation, or certain change in control transactions, then your RSUs will be subject to the applicable provisions of Article 9 of the Plan, provided that any action taken must either (a) preserve the exemption of your RSUs from Code Section 409A or (b) comply with Code Section 409A.</p>
<b>Recoupment Policy</b>	<p>This award, and the shares acquired upon settlement of this award, shall be subject to any Company recoupment or clawback policy in effect from time to time.</p>

**Applicable Law**

This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to its choice-of-law provisions).

**The Plan and Other Agreements**

The text of the Plan is incorporated in this Agreement by reference.

The Plan, this Agreement (including, if applicable, any Appendix for Non-U.S. Participants) and the Grant Notice constitute the entire understanding between you and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this award are superseded. This Agreement may be amended only by another written agreement between the parties.

**BY ACCEPTING THIS RSU AWARD, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.**

**Backblaze, Inc.**  
**2021 Equity Incentive Plan**  
**Notice of Stock Option Grant**

You have been granted the following option to purchase shares of the common stock of Backblaze, Inc. (the “Company”):

Name of Optionee:	«Name»
Total Number of Shares:	«TotalShares»
Type of Option (U.S. Tax Status):	[Nonstatutory][Incentive] Stock Option
Exercise Price per Share:	US\$«PricePerShare»
Date of Grant:	«DateGrant»
Vesting Commencement Date:	«VestDay»
Vesting Schedule:	This option shall vest and become exercisable with respect to the first «CliffPercent» of the shares subject to this option when you complete «CliffPeriod» months of continuous service as an [Employee or Consultant] [Outside Director] (“Service”) after the Vesting Commencement Date. This option shall vest and become exercisable with respect to an additional «IncrementalPercent» of the shares subject to this option when you complete each additional month of continuous Service thereafter.
Expiration Date:	«ExpDate». This option expires earlier if your Service terminates earlier, as described in the Stock Option Agreement, and may terminate earlier in connection with certain corporate transactions as described in Article 9 of the Plan.

You and the Company agree that this option is granted under and governed by the terms and conditions of the Company’s 2021 Equity Incentive Plan (the “Plan”) and the Stock Option Agreement (including, if applicable, the Appendix for Non-U.S. Participants), both of which are attached to, and made a part of, this document, to the extent applicable. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Plan.

The Company may, in its sole discretion, decide to deliver any documents related to options awarded under the Plan, future options that may be awarded under the Plan and all other documents that the Company is required to deliver to security holders (including annual reports and proxy statements) by email or other electronic means (including by posting them on a website maintained by the Company or a third party under contract with the Company). You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through any on-line or electronic system established and maintained by the Company or another third party designated by the Company. You acknowledge that you may incur costs in connection with any such delivery by means of electronic transmission, including the cost of accessing the Internet and printing fees, and that an interruption of Internet access may interfere with your ability to access the documents.

You further agree to comply with the Company’s *Insider Trading Policy*, as in effect from time to time, when selling shares of the Company’s common stock.



**Backblaze, Inc.**  
**2021 Equity Incentive Plan**  
**Stock Option Agreement**

<b>Grant of Option</b>	<p>Subject to all of the terms and conditions set forth in the Notice of Stock Option Grant (the “Grant Notice”), this Stock Option Agreement (the “Agreement”) and the Plan, the Company has granted you an option to purchase up to the total number of shares specified in the Grant Notice at the exercise price indicated in the Grant Notice.</p> <p>All capitalized terms used in this Agreement shall have the meanings assigned to them in this Agreement, the Grant Notice or the Plan.</p>
<b>U.S. Tax Treatment</b>	<p>This option is intended to be an incentive stock option under Section 422 of the Code or a nonstatutory stock option, as provided in the Notice of Stock Option Grant. However, even if this option is designated as an incentive stock option in the Notice of Stock Option Grant, it shall be deemed to be a nonstatutory stock option to the extent it does not qualify as an incentive stock option under federal tax law, including under the \$100,000 annual limitation under Section 422(d) of the Code.</p>
<b>Vesting</b>	<p>This option vests and becomes exercisable in accordance with the vesting schedule set forth in the Grant Notice.</p> <p>In no event will this option vest or become exercisable for additional shares after your Service has terminated for any reason unless expressly provided in a written agreement between you and the Company.</p>
<b>Term of Option</b>	<p>This option expires in any event at the close of business at Company headquarters on the day before the 10th anniversary of the Date of Grant, as shown in the Grant Notice. (This option will expire earlier if your Service terminates earlier, as described below, and this option may be terminated earlier as provided in Article 9 of the Plan.)</p>
<b>Termination of Service</b>	<p>If your Service terminates for any reason, this option will expire to the extent it is unvested as of your termination date and does not vest as a result of your termination of Service. The Company determines whether and when your Service terminates for all purposes of this option.</p>
<b>Regular Termination</b>	<p>If your Service terminates for any reason except death or total and permanent disability, then this option, to the extent vested as of your termination date, will expire at the close of business at Company headquarters on the date three months after your termination date.</p>

**Death** If your Service terminates as a result of your death, then this option, to the extent vested as of the date of your death, will expire at the close of business at Company headquarters on the date twelve months after the date of death.

**Disability** If your Service terminates because of your total and permanent disability, then this option, to the extent vested as of your termination date, will expire at the close of business at Company headquarters on the date six months after your termination date.

For all purposes under this Agreement, “total and permanent disability” means that you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than 12 months.

**Leaves of Absence and Part-Time Work** For purposes of this option, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing. However, your Service terminates when the approved leave ends, unless you immediately return to active work.

If you go on a leave of absence that lasts more than 30 days, then, to the extent permitted by applicable law, the vesting schedule specified in the Grant Notice will be suspended on the thirty-first day of such leave, and any unvested shares covered by this option will not vest or become exercisable during the remainder of such leave. Vesting will resume when you return to active Service.

If you commence working on a part-time basis, the Company may adjust the vesting schedule so that the rate of vesting is commensurate with your reduced work schedule.

Even if this option is designated as an incentive stock option in the Notice of Stock Option Grant, it ceases to qualify for favorable tax treatment as such to the extent that it is exercised: (i) more than three months after the date when you cease to be an Employee for any reason other than death or permanent and total disability (as defined in Code Section 22(e)(3)); (ii) more than 12 months after the date when you cease to be an Employee by reason of permanent and total disability (as defined in Code Section 22(e)(3)); or (iii) more than three months after the date when you have been on a leave of absence for three months, unless your reemployment rights following such leave were guaranteed by statute or by contract.

**Restrictions on Exercise/  
Compliance with Law**

The Company will not permit you to exercise this option if the issuance of shares at that time would violate any law or regulation.

Notwithstanding any other provision in the Plan or this Agreement, unless there is an available exemption from registration, qualification or other legal requirement applicable to the Company's shares, the Company shall not be required to permit the exercise of this option and/or delivery of Company shares prior to the completion of any registration or qualification of the shares under any local, state or federal securities law or under rulings or regulations of the Securities and Exchange Commission ("SEC") or of any other governmental body, or prior to obtaining any approval or other clearance from any local, state or federal governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. You understand that the Company is under no obligation to register or qualify the Company's shares with the SEC or any state securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares.

**Notice of Exercise**

When you wish to exercise this option, you must notify the Company by filing the proper "Notice of Exercise" form at the address given on the form or, if the Company has designated a third party to administer the Plan, you must notify such third party in the manner such third party requires. Your notice must specify how many shares you wish to purchase. The notice will be effective when the Company receives it.

However, if you wish to exercise this option by executing a same-day sale (as described below), you must follow the instructions of the Company and the broker who will execute the sale.

If someone else wants to exercise this option after your death, that person must prove to the Company's satisfaction that he or she is entitled to do so.

You may only exercise your option for whole shares.

**Form of Payment**

When you submit your notice of exercise, you must make arrangements for the payment of the option exercise price for the shares that you are purchasing. To the extent permitted by applicable law, payment may be made in one (or a combination of two or more) of the following forms:

- By delivering to the Company your personal check, a cashier's check or a money order, or arranging for a wire transfer; or
- By giving to a securities broker approved by the Company irrevocable directions to sell all or part of your option shares and to deliver to the Company, from the sale proceeds, an amount sufficient to pay the option exercise price and any Tax-Related Items (as defined below). (The balance of the sale proceeds, if any, will be delivered to you.) The directions must be given in accordance with the instructions of the Company and the broker. This exercise method is sometimes called a "same-day sale."

The Company may permit other forms of payment in its discretion to the extent permitted by the Plan.

**Withholding Taxes**

Regardless of any action the Company (or, if applicable, the Parent, Subsidiary or Affiliate employing or retaining you (the "Employer")) takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the participation in the Plan and legally applicable to you ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company and/or the Employer. You further acknowledge that the Company and the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the options, including, but not limited to, the grant, vesting or exercise of the option, the issuance of shares upon exercise of the option, the subsequent sale of shares acquired pursuant to such exercise and the receipt of any dividends and/or any dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of the option or any aspect of the option to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to tax in more than one jurisdiction, you acknowledge that the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

You will not be allowed to exercise this option unless you make arrangements acceptable to the Company and/or the Employer to pay any Tax-Related Items that the Company and/or the Employer determine must be withheld. These arrangements include payment in cash or via the same-day sale procedure described above. With the Company's consent, these arrangements may also include (a) withholding shares of Company stock that otherwise would be issued to you when you exercise this option with a value equal to withholding taxes, (b) surrendering shares that you previously acquired with a value equal to the withholding taxes, or (c) withholding cash from other compensation. The value of withheld or surrendered shares, determined as of the date when taxes otherwise would have been withheld in cash, will be applied to the Tax-Related Items.

**Restrictions on Resale**

You agree not to sell any option shares at a time when applicable laws, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.

**Transfer of Option**

Prior to your death, only you may exercise this option. You cannot transfer or assign this option. For instance, you may not sell this option or use it as security for a loan. If you attempt to do any of these things, this option will immediately become invalid. You may, however, dispose of this option in your will or by means of a written beneficiary designation (if authorized by the Company and to the extent such beneficiary designation is valid under applicable law) which must be filed with the Company on the proper form; provided, however, that your beneficiary or a representative of your estate acknowledges and agrees in writing in a form reasonably acceptable to the Company, to be bound by the provisions of this Agreement and the Plan as if such beneficiary or representative of the estate were you.

Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your former spouse, nor is the Company obligated to recognize your former spouse's interest in your option in any other way.

**No Retention Rights**

Your option or this Agreement does not give you the right to be retained by the Company, a Parent, Subsidiary, or an Affiliate in any capacity. The Company and its Parents, Subsidiaries, and Affiliates reserve the right to terminate your Service at any time, with or without cause.

<b>Stockholder Rights</b>	You, or your estate or heirs, have no rights as a stockholder of the Company until you have exercised this option by giving the required notice to the Company, paying the exercise price, and satisfying any applicable Tax-Related Items. No adjustments are made for dividends or other rights if the applicable record date occurs before you exercise this option, except as described in the Plan.
<b>Recoupment Policy</b>	This option, and the shares acquired upon exercise of this option, shall be subject to any Company recoupment or clawback policy in effect from time to time.
<b>Adjustments</b>	In the event of a stock split, a stock dividend or a similar change in Company common stock, the number of shares covered by this option and the exercise price per share will be adjusted pursuant to the Plan.
<b>Effect of Significant Corporate Transactions</b>	If the Company is a party to a merger, consolidation, or certain change in control transactions, then this option will be subject to the applicable provisions of Article 9 of the Plan.
<b>Applicable Law</b>	This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to its choice-of-law provisions).
<b>The Plan and Other Agreements</b>	<p>The text of the Plan is incorporated in this Agreement by reference.</p> <p>This Plan, this Agreement (including, if applicable, the Appendix for Non-U.S. Participants) and the Grant Notice constitute the entire understanding between you and the Company regarding this option. Any prior agreements, commitments or negotiations concerning this option are superseded. This Agreement may be amended only by another written agreement between the parties.</p>

**BY ACCEPTING THIS OPTION GRANT, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.**

## FOURTH AMENDMENT TO LOAN AND SECURITY AGREEMENT

This Fourth Amendment to Loan and Security Agreement (this "Amendment") is entered into as of December 29, 2023, by and between City National Bank ("Bank") and Backblaze, Inc. ("Borrower").

### RECITALS

- A. Bank and Borrower have entered into that certain Loan and Security Agreement dated as of October 21, 2021 (as amended from time to time, the "Loan Agreement").
- B. Borrower has requested that Bank amend the Loan Agreement, and Bank has agreed to do so.

### AGREEMENT

Now, **THEREFORE**, the parties agree as follows:

- 1. **Definitions.** Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.
- 2. **Amendments to Loan Agreement.**

#### 2.1 Section 1.1 (Definitions).

(a) The following defined term is added to the Agreement, as follows: "Fourth Amendment Date" means December 29, 2023.

(b) The following defined terms are amended and restated, as follows:

"Revolving Line" means Twenty Million Dollars (\$20,000,000).

"Revolving Maturity Date" means December 29, 2025.

**2.2 Section 2.4 (Interest Rates).** The first sentence of Section 2.4(a) is amended and restated to read as follows:

"Except as set forth in Section 2.4(b), Advances consisting of Average SOFR Advances shall bear interest, on the outstanding Daily Balance thereof, at a rate equal to Average SOFR plus two and three quarters percent (2.75%)."

**2.3 Section 2.8 (Anniversary Fee).** Section 2.8(b) is amended and restated to read as follows:

"On the Fourth Amendment Date, and on each anniversary thereof, a fee equal to one half of one percent (0.5%) of the Revolving Line."

**2.4 Section 2.8 (Unused Fee).** Section 2.8(c) is amended and restated to read as follows:

"Within ten days of the last day of each quarter, a fee equal to three tenths of one percent (0.3%) of the difference between the Revolving Line and the average daily balance of the Advances outstanding during such quarter."

**2.5 Section 6.9 (Accounts).** Section 6.9 is amended and restated to read as follows:

**"6.9 Accounts.** Borrower shall maintain and cause each of its Subsidiaries to maintain all of its depository, operating, and investment accounts with Bank or its Affiliates. For each account that Borrower maintains outside of Bank or its Affiliates, Borrower shall cause the applicable bank or financial institution at or with which any such account is maintained to execute and deliver an account control agreement or other appropriate instrument in form and substance satisfactory to Bank; provided however, that Netherlands Subsidiary may maintain account(s) in the Netherlands and shall not be required to execute and deliver account control agreements with respect to such account(s)."

- 3. **Representations and Warranties.** To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

**3.1** Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

**3.2** Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

**3.3** The organizational documents of Borrower most recently delivered to Bank remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

**3.4** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

**3.5** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

**3.6** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

**3.7** This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

- 4. Ratification of Perfection Certificate.** Borrower hereby ratifies, confirms and reaffirms, all and singular, the terms and disclosures contained in a certain Perfection Certificate dated as of October 21, 2021, and acknowledges, confirms and agrees that the disclosures and information Borrower provided to Bank in such Perfection Certificate have not changed (other than as set forth in written notices to Bank), as of the date hereof.
- 5. Integration.** This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.
- 6. Counterparts.** This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.
- 7. Effectiveness.** This Amendment shall be deemed effective upon (a) the due execution and delivery to Bank of this Amendment by each party hereto.
- 8. Post-Closing Obligations.** Within fifteen (15) days of the Fourth Amendment Date, Borrower shall pay Bank (i) an amount equal to \$66,667, which constitutes the anniversary fee owing pursuant to Section 2.3 hereof, minus any amounts paid by Borrower to Bank for such fee prior to the Fourth Amendment Date, plus (ii) an amount equal to the Bank Expenses incurred in connection with the negotiation and preparation of this Amendment.

[Signature page follows.]



**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

Bank  
City National Bank

By: /s/ Alan Jepsen  
Name: Alan Jepsen  
Title: SVP

Borrower  
Backblaze, Inc.  
  
By: /s/ Frank Patchel  
Name: Frank Patchel  
Title: Chief Financial Officer

**List of Subsidiaries of Backblaze, Inc.****Name**

Backblaze Worldwide, Inc.  
Backblaze Netherlands B.V.

**Jurisdiction**

Delaware  
Netherlands

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-260991, 333-263903, 333-271148 and 333-273290) of Backblaze, Inc. of our report dated March 29, 2024, relating to the consolidated financial statements which appears in this Annual Report on Form 10-K.

/s/ BDO USA, P.C.  
San Jose, California

March 29, 2024

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Gleb Budman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Backblaze, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2024

/s/ Gleb Budman

Gleb Budman

Chief Executive Officer and Chairperson

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Frank Patchel, certify that:

1. I have reviewed this Annual Report on Form 10-K of Backblaze, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2024

/s/ Frank Patchel

Frank Patchel

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002.**

In connection with the Annual Report on Form 10-K of Backblaze, Inc. (the “Company”) for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gleb Budman, the Chief Executive Officer and Chairperson of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2024

/s/ Gleb Budman

Gleb Budman

Chief Executive Officer and Chairperson

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.**

In connection with the Annual Report on Form 10-K of Backblaze, Inc. (the “Company”) for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Frank Patchel, the Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2024

/s/ Frank Patchel

Frank Patchel

Chief Financial Officer

(Principal Financial and Accounting Officer)

**BACKBLAZE, INC.**  
**COMPENSATION CLAWBACK POLICY**

(As Adopted by the Compensation Committee of the Board of Directors,  
Effective Date November 30, 2023)

1. **Purpose and Scope.** In the event Backblaze, Inc. (the “*Company*”) is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws (including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period), the Company shall recover reasonably promptly the amount of any Erroneously Awarded Incentive-Based Compensation from each Covered Individual unless an exception applies as set forth herein (as such terms are defined below).
2. **Definitions.**
  - a. “*Incentive-Based Compensation*” means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a financial reporting measure or any measures that are derived wholly or in part from such measures. For clarity, equity awards that are based on non-financial reporting measures, such as strategic, operational or individual performance measures, or time-based equity awards where the vesting is solely tied to service (and where the decision to grant the award is not based on the achievement of a financial reporting measure), shall not be deemed Incentive-Based Compensation under this Policy.
  - b. “*Covered Individual*” means any current or former officer of the Company who is or was subject to Section 16 of the Securities Exchange Act of 1934, as amended, at any time during the applicable performance period for the relevant Incentive-Based Compensation, regardless of whether such individual continues to hold such position or continues to be employed by the Company or any of its subsidiaries.
  - c. “*Erroneously Awarded Incentive-Based Compensation*” shall mean the amount of Incentive-Based Compensation that exceeds the amount of the Incentive-Based Compensation that would have been received by the Covered Individual had it been determined based on the restated financial results (with such Incentive-Based Compensation computed in each case without regard to any taxes paid), provided such Erroneously Awarded Incentive-Based Compensation is (i) received by the Covered Individual on or after the Effective Date (even if such Incentive-Based Compensation was approved, awarded, or granted prior to the Effective Date) and while the Company has a class of securities listed on a national securities exchange or a national securities association, and (ii) is received by the Covered Individual during the three completed fiscal years immediately preceding the date that the Company is required to prepare the accounting restatement (and



any transition period applicable to a change in the Company's fiscal year as required by Nasdaq listing rules). Incentive-Based Compensation is considered received by a Covered Individual in the Company's fiscal period during which the financial reporting measure applicable to the Incentive-Based Compensation is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that fiscal period.

**3. Incentive-Based Compensation Calculations and Non-Cash Awards.**

- a. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Incentive-Based Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement, the amount of Erroneously Awarded Incentive-Based Compensation will be determined by the Compensation Committee of the Board (the "**Compensation Committee**") based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received. The Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq as required by Nasdaq listing rules.
- b. If the Erroneously Awarded Incentive-Based Compensation consists of shares (including restricted stock units, performance units or share-denominated equity awards) or options that are still held by the Covered Individual at the time of recovery, the recoverable amount is the number of shares or options received in excess of the number of shares or options that would have been received based on the accounting restatement (or the value of that excess number). If the options have been exercised but the underlying shares have not been sold, the recoverable amount is the number of shares underlying the excess options based on the restatement (or the value thereof). If the shares have been sold, the recoverable amount is the proceeds that were received in connection with the sale of the excess number of shares. Amounts credited under plans (other than tax-qualified plans for which the exception set forth below applies) based on Erroneously Awarded Incentive-Based Compensation and any accrued earnings thereon are also recoverable under this policy.

4. **Compensation Committee Discretion.** The Compensation Committee (or alternatively the Company's Board of Directors (the "**Board**") or other duly authorized committee) shall determine, in its sole discretion, the timing and method for recovering Erroneously Awarded Incentive-Based Compensation reasonably promptly based on all applicable facts and circumstances and taking into account the time value of money and the cost to shareholders of delaying recovery. The Company shall not be required under this policy to recover Erroneously Awarded Incentive-Based Compensation if the Compensation Committee (or alternatively the Board or other duly authorized committee) has made a determination that recovery would be impracticable and either of the following conditions are met: (a) after making a reasonable attempt to recover such Erroneously Awarded Incentive-Based Compensation, the Compensation Committee (or alternatively the Board or other duly authorized committee) determines that the direct expense paid to a third party to assist in enforcing this policy would exceed the amount to be recovered

(documentation evidencing the reasonable attempt to recover the Erroneously Awarded Incentive-Based Compensation must be maintained and provided to Nasdaq as required by Nasdaq listing rules), or (b) the recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Internal Revenue Code Section 401(a)(13) or Internal Revenue Code Section 411(a) and the regulations thereunder.

**5. General; Miscellaneous.**

- a. For purposes of this policy, the date that the Company is required to prepare the accounting restatement is the earlier to occur of (i) the date the Board, the Company's Audit Committee or other authorized committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such accounting restatement, or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare such accounting restatement.
- b. This Policy is intended to comply with the requirements of Rule 10D-1 promulgated by the Securities and Exchange Commission and the related listing rules of Nasdaq, and the terms hereof shall be construed consistent with that intent. This Policy does not limit any other remedies the Company may have available to it in the circumstances, which may include, without limitation, dismissing an employee or initiating other disciplinary procedures. The provisions of this Policy are in addition to (and not in lieu of) any rights to repayment the Company may have under Section 304 of the Sarbanes-Oxley Act of 2002 (applicable to the Chief Executive Officer and Chief Financial Officer only) and other applicable laws. The Company shall not indemnify any Covered Individual against the loss of Erroneously Awarded Incentive-Based Compensation that is recovered by the Company pursuant to this policy.
- c. The Compensation Committee, Board, or other duly authorized committee, shall have the sole authority to construe and interpret this Policy and to make all determinations required to be made pursuant to this Policy. Any such construction, interpretation or determination by the Compensation Committee, Board or other authorized committee shall be final and binding. The Compensation Committee, Board or other authorized committee, may revise this Policy from time to time.

**EXHIBIT A  
TO  
BACKBLAZE, INC.  
COMPENSATION CLAWBACK POLICY**

**RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION  
ACKNOWLEDGMENT FORM**

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Backblaze, Inc. Compensation Clawback Policy (the “**Policy**”). Capitalized terms used but not otherwise defined in this Acknowledgment Form (this “**Acknowledgment Form**”) shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgment Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned’s employment with the Company. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by promptly returning any Erroneously Awarded Incentive-Based Compensation (as defined in the Policy) to the Company to the extent required by, and in a manner permitted by, the Policy. In the event of any inconsistency between the Policy and the terms of any employment agreement to which the undersigned is a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Policy shall govern.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date