Backblaze

Q3 2023 Results

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Important Information About This Presentation

Cautionary Note Regarding Forward-Looking Statements

This presentation contains forward-looking statements, which involve risks and uncertainties. These forward-looking statements are generally identified by the use of forward-looking terminology, including the terms “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “likely,” “may,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would” and, in each case, their negative or other various or comparable terminology. All statements other than statements of historical facts contained in this presentation, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, planned investments and initiatives, prospects, plans, objectives of management and general economic trends and trends in the industry and markets are forward-looking statements. The forward-looking statements are contained principally in the sections entitled. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results to be materially different from any future results expressed or implied by the forward-looking statements. These forward-looking statements reflect our views with respect to future events as of the date of this presentation and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this presentation.

Non-GAAP Financial Measures

To supplement the financial measures prepared in accordance with generally accepted accounting principles (GAAP), we use non-GAAP Adjusted Gross Margin and Adjusted EBITDA Margin. These non-GAAP financial measures exclude certain items and are not prepared in accordance with GAAP; therefore, the information is not necessarily comparable to other companies and should be considered as a supplement to, not a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. We present these non-GAAP measures because management believes they are a useful measure of the Company’s performance and provides an additional basis for assessing our operating results. Please see the Appendix attached to this presentation for a reconciliation of non-GAAP Adjusted Gross Margin, non-GAAP Net Income, Adjusted EBITDA Margin and non-GAAP Operating Expenses to the most directly comparable GAAP financial measures.

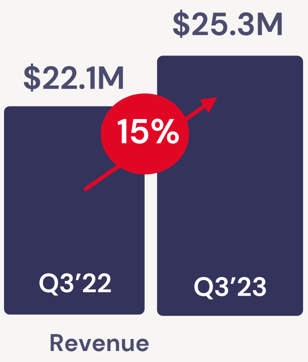
Key Highlights

- Q3 marks an inflection point for revenue growth
- Driving improved financial performance, including Adjusted EBITDA and cash usage
- Delivered “shard stash” storage innovation that increases upload performance speeds up to 30% faster than Amazon S3

Strong Q3 2023 Revenue Growth

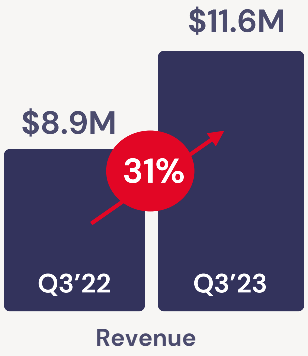
Total Company +15%, B2 Cloud Storage +31%

Total Company



$101M
Q3'23 ARR

B2 Cloud Storage



$47M
Q3'23 ARR

NOTES: Financial data is shown for the quarters ending September 30, 2022 and 2023, and the September 30, 2023 results are based on unaudited financial data. Total company revenue includes $0.1M and $0.2M in Physical Media revenue, respectively for the periods presented, and is allocated between B2 Cloud Storage and Computer Backup based on the underlying offering from which it originates; previously Physical Media revenue was disclosed separately. See appendix for definition of ARR (Annual Recurring Revenue).

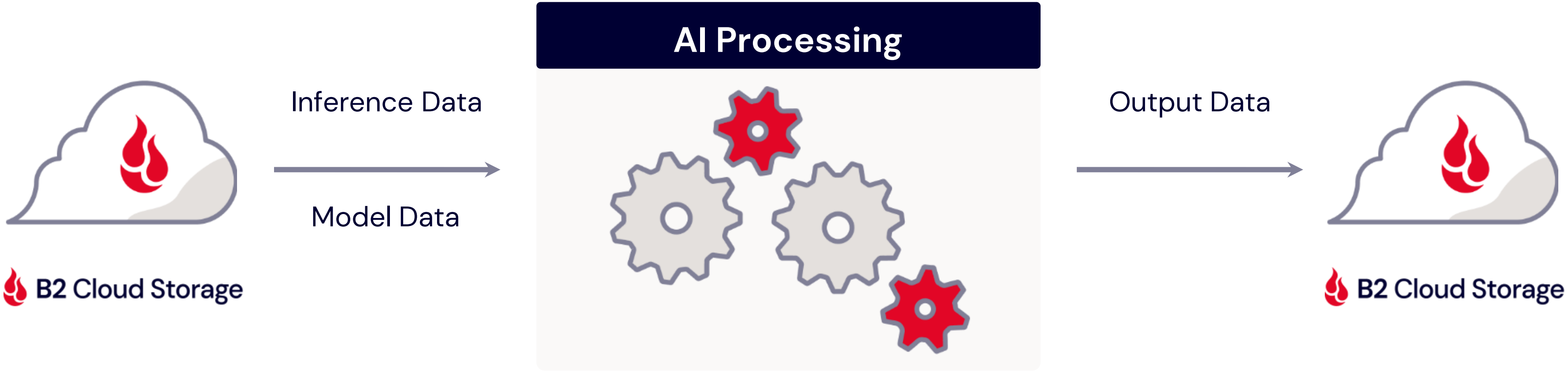
Leading the Open Cloud Movement

CoreWeave

fastly

snowflake

Backblaze — AI Storage Solution



Executing on Growth Strategy

Self-Serve

- Completed website infrastructure overhaul
- Growth in Paid-Accounts year-over-year

Sales Assisted

- Continued up market momentum
- Customer example: 5x growth to over $100k in ARR within three quarters

Partnerships

- HYCU and Qencode partnerships to reach new markets and customers
- Signed a multi-year B2 Reserve deal with an upfront $1M commitment

Application Storage

- Co-presented Tech Day with CoreWeave, Fastly and Snowflake

Customer Story: AI Motion Capture Application Developer

Searching for a long-term cloud storage partner

- CoreWeave is their GPU workload vendor of choice
- Unpredictable and complicated egress fees from hyperscalers were a major pain point
- Selected Backblaze because of the simple and straightforward pricing and open cloud support

"Pairing Backblaze and CoreWeave has been a game changer for us—being able to run AI inference loads and archive results in the cloud at scale has been hugely expedited and simplified our workflows and our process."

– Customer Co-Founder & CEO

Shard Stash Breakthrough Innovation

- Up to 30% faster upload speed than Amazon S3
- Covers majority of B2 uploads
- Delivered at a fifth of the cost of Amazon S3

"Backblaze blitzes cloud storage speeds with 'shard stash' cache."

– Blocks & Files

Q3 2023 Financial Overview

Frank Patchel,
CFO

Takeaways

- Surpassed the $100M in ARR milestone in Q3
- Strong Q4 outlook
  - Accelerating revenue growth
  - Reduction in Q4 cash usage by about half, sequentially
  - First quarter of positive Adjusted EBITDA as a public company
- On track to be cash flow positive by mid-2025

Financial and Operational Q3 Highlights

	Revenue ($M)	Y/Y Growth	NRR	Gross Customer Retention
B2 Cloud Storage	$11.6	31%	120%	90%
Computer Backup	$13.7	4%	100%	91%
Total Company	**$25.3**	**15%**	**108%**	**91%**

NOTES: Q3'23 Total Company Revenue includes $0.1M in revenue from Physical Media. For the period presented, Physical Media revenue has been consolidated into B2 Cloud Storage or Computer Backup Revenue based on the underlying offering from which it originates. All financial information is as of September 30, 2023, with year-over-year revenue comparisons to the same period as of September 30, 2022, and are based on unaudited financial information. NRR (Net Revenue Retention) and Gross Customer Retention are defined in the appendix.

Other Q3 Financial Highlights

74%	(3)%	$36M
Adj. Gross Margin	Adj. EBITDA Margin	Balance Sheet Cash, Investments, and Restricted Cash

NOTES: Adjusted Gross Margin and Adjusted EBITDA Margin are shown for the quarter ending September 30, 2023, and Balance Sheet Cash and Investments is as of September 30, 2023. All financial data is based on unaudited financial information. Adjusted Gross Margin excludes capex depreciation, stock-based compensation and R&D amortization. R&D, S&M, G&A and Adjusted EBITDA metrics are shown on an adjusted basis excluding stock-based compensation. See appendix for reconciliation of GAAP to non-GAAP metrics.

Q4’23 and 2023 Outlook Ranges

Revenue ($M)	Adj. EBITDA Margin
Q4’23 $ 27.9 to $28.7	**Q4’23** 1% to 3%
Raising Bottom End **2023** $101.2 to $102.0	**Raising** **2023** (6)% to (4)%

NOTES: The above financial information guidance for Q4 of 2023 and fiscal year 2023 are forward-looking statements. These forward-looking statements reflect our views with respect to future events as of the date of this presentation and are based on assumptions and subject to risks and uncertainties, and actual results may differ materially. A reconciliation of non-generally accepted accounting principles (GAAP) guidance measures to corresponding GAAP measures for Adjusted EBITDA Margin is not available on a forward-looking basis without unreasonable effort due to the uncertainty regarding, and the potential variability of expenses and other factors in the future.

Backblaze

We make it astonishingly easy to store, use, and protect data.

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Q&A

Institutional Investor Events

- **November 16:** Annual Craig-Hallum Alpha Select Conference

Thank You!

Definitions

- "**ARR**" means Annual Recurring Revenue and is based on the monthly revenue from all B2 Cloud Storage and Computer Backup arrangements (excluding revenue for Physical Media) for the last month of a period and multiplying it by 12. Our annual recurring revenue for each of Computer Backup and B2 Cloud Storage 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.

- "**Gross Customer Retention**" is used to measure our ability to retain our customers and is based on 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.

- "**NRR**" means Net Revenue Retention and is based on a trailing four-quarter average of the recurring revenue from a cohort of customers in a quarter as compared to the same period in the prior year. Our net revenue retention rate for each of Computer Backup and B2 Cloud Storage is calculated in the same manner as our overall net revenue retention rate based on the revenue from our Computer Backup and B2 Cloud Storage solutions, respectively.

- **"Customer"** is defined as a distinct account at the end of any period, as identified by a unique account identifier, that has paid for our cloud services, which makes up substantially all of our user base.

Definitions

- **Adjusted EBITDA** is defined as net loss excluding depreciation and amortization, stock-based compensation, interest expense, income tax provision, unrealized loss on SAFE and gain on extinguishment of debt. 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.

- **Non-GAAP Net Income (Loss)** We define non-GAAP net income (loss) as net income adjusted to exclude stock-based compensation and other items we deem non-recurring. We believe that non-GAAP net income (loss), 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.

- **Adjusted Gross Profit (and Margin)** We define adjusted gross margin as gross profit, exclusive of stock-based compensation expense, depreciation expense of our property and equipment, and amortization expense of capitalized internal-use software included within cost of revenue, as a percentage of adjusted gross profit to 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

Reconciliation of Non-GAAP Measures: Gross Margin

Adjusted Gross Profit	Q3'23	Q3'22
Gross Profit	$11.753	$11.215
Gross Margin	46%	51%
Adjustments for Cost of Revenue:		
Stock Based Compensation	0.653	0.353
Depreciation and Amortization	6.336	5.131
Adjusted Gross Profit	$18.742	$16.699
Adjusted Gross Margin	74%	76%

Dollars in Millions

Reconciliation of Non-GAAP Measures: Net Income

	Q3'23	Q3'22
Net Loss	$(16.055)	$(12.800)
Net Loss Margin	-63%	-58%
Adjustments:		
Total Stock Based Compensation	7.958	4.830
Severance charges	.012	—
Non-recurring professional services	.282	—
Non-GAAP Net Income (Loss)	$(7.803)	$(7.970)
Non-GAAP Net Income Margin	-31%	-36%
Non-GAAP Diluted Shares	36.665	31.994
Non-GAAP Net Loss per Diluted Share	$(0.21)	$(0.25)

Reconciliation of Non-GAAP Measures: Adjusted EBITDA

	Q3'23	Q3'22
Net Loss	$(16.055)	$(12.800)
Net Loss Margin	-63%	-58%
Adjustments:		
Total Depreciation & Amortization	6.473	5.357
Total Stock Based Compensation	7.958	4.830
Net Interest Expense	0.489	0.740
Workforce Reduction and Related Severance Charges	0.012	—
Non-recurring professional services	.282	—
Adjusted EBITDA	$(841)	$(1.873)
Adjusted EBITDA Margin	-3%	-8%

Dollars in Millions