

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2025

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

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 and post 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 is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of July 31, 2025, 56.5 million shares of the registrant’s Class A common stock were outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, 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 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; and
- our ability to prevent material weaknesses in internal controls over financial reporting.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q 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 - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

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

	June 30, 2025	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,187	\$ 45,776
Marketable securities	18,354	9,139
Accounts receivable, net	3,240	1,831
Prepaid expenses	3,258	3,458
Other current assets	7,414	5,544
Total current assets	64,453	65,748
Property and equipment, net	49,938	42,949
Operating lease right-of-use assets, net	25,873	15,873
Capitalized internal-use software, net	42,183	41,801
Other assets	3,598	2,187
Total assets	<u>\$ 186,045</u>	<u>\$ 168,558</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 9,164	\$ 9,043
Finance lease liabilities and lease financing obligations, current	15,250	16,327
Operating lease liabilities, current	4,970	4,026
Deferred revenue, current	30,530	30,407
Total current liabilities	59,914	59,803
Finance lease liabilities and lease financing obligations, non-current	19,180	13,142
Operating lease liabilities, non-current	22,197	12,844
Deferred revenue, non-current and other liabilities, non-current	5,112	5,147
Total liabilities	106,403	90,936
Commitments and contingencies (Note 9)		
Stockholders' Equity		
Preferred Stock, \$0.001 par value; 10,000,000 shares authorized as of June 30, 2025 and December 31, 2024; zero shares issued and outstanding as of June 30, 2025 and December 31, 2024	—	—
Class A common stock, \$0.0001 par value; 113,000,000 shares authorized as of both June 30, 2025 and December 31, 2024; 56,462,752 and 53,375,770 shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively.	6	5
Class B common stock, \$0.0001 par value; 295,986 shares authorized as of June 30, 2025 and December 31, 2024; zero shares issued and outstanding as of June 30, 2025 and December 31, 2024.	—	—
Additional paid-in capital	292,042	273,602
Accumulated deficit	(212,406)	(195,985)
Total stockholders' equity	79,642	77,622
Total liabilities and stockholders' equity	<u>\$ 186,045</u>	<u>\$ 168,558</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

BACKBLAZE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue	\$ 36,298	\$ 31,285	\$ 70,911	\$ 61,253
Cost of revenue	13,257	14,056	28,614	28,213
Gross profit	23,041	17,229	42,297	33,040
Operating expenses:				
Research and development	11,878	9,589	23,733	19,335
Sales and marketing	10,172	10,991	19,435	21,013
General and administrative	7,708	6,458	14,766	13,011
Total operating expenses	29,758	27,038	57,934	53,359
Loss from operations	(6,717)	(9,809)	(15,637)	(20,319)
Investment income	500	362	1,033	746
Interest expense	(880)	(901)	(1,733)	(1,822)
Loss before provision for income taxes	(7,097)	(10,348)	(16,337)	(21,395)
Income tax provision	—	—	84	6
Net loss and comprehensive loss	\$ (7,097)	\$ (10,348)	\$ (16,421)	\$ (21,401)
Net loss per share, basic and diluted	\$ (0.13)	\$ (0.25)	\$ (0.30)	\$ (0.52)
Weighted average common shares outstanding, basic and diluted	55,627,214	42,151,850	54,835,639	41,188,544

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Three Months Ended June 30, 2025				
	Class A Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	
Balance as of March 31, 2025	54,869,647	\$ 5	\$ 283,072	\$ (205,309)	\$ 77,768
Net loss	—	—	—	(7,097)	(7,097)
Issuance of common stock upon exercise of stock options	334,363	—	885	—	885
Issuance of common stock under the 2021 Equity Incentive Plan	947,240	1	(362)	—	(361)
Issuance of common stock related to the 2021 Employee Stock Purchase Plan	311,502	—	1,388	—	1,388
Stock-based compensation	—	—	7,059	—	7,059
Balance as of June 30, 2025	<u>56,462,752</u>	<u>\$ 6</u>	<u>\$ 292,042</u>	<u>\$ (212,406)</u>	<u>\$ 79,642</u>

	Three Months Ended June 30, 2024				
	Class A Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	
Balance as of March 31, 2024	41,469,779	\$ 4	\$ 205,957	\$ (158,507)	\$ 47,454
Net loss	—	—	—	(10,348)	(10,348)
Issuance of common stock upon exercise of stock options	265,347	—	716	—	716
Issuance of common stock related to the 2021 Equity Incentive Plan	764,638	—	—	—	—
Issuance of common stock related to the 2021 Employee Stock Purchase Plan	386,517	—	1,359	—	1,359
Stock-based compensation	—	—	5,917	—	5,917
Balance as of June 30, 2024	<u>42,886,281</u>	<u>\$ 4</u>	<u>\$ 213,949</u>	<u>\$ (168,855)</u>	<u>\$ 45,098</u>

	Six Months Ended June 30, 2025				
	Class A Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	
Balance as of December 31, 2024	53,375,770	\$ 5	\$ 273,602	\$ (195,985)	\$ 77,622
Net loss	—	—	—	(16,421)	(16,421)
Issuance of common stock upon exercise of stock options	730,081	—	1,863	—	1,863
Issuance of common stock related to the 2021 Equity Incentive Plan	1,743,828	1	(820)	—	(819)
Issuance of common stock related to the 2021 Employee Stock Purchase Plan	311,502	—	1,388	—	1,388
Stock-based compensation	—	—	13,995	—	13,995
Issuance of restricted stock units related to bonus plans	301,571	—	2,014	—	2,014
Balance as of June 30, 2025	<u>56,462,752</u>	<u>\$ 6</u>	<u>\$ 292,042</u>	<u>\$ (212,406)</u>	<u>\$ 79,642</u>

	Six Months Ended June 30, 2024				
	Class A Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	
Balance as of December 31, 2023	39,150,610	\$ 4	\$ 192,388	\$ (147,454)	\$ 44,938
Net loss	—	—	—	(21,401)	(21,401)
Issuance of common stock upon exercise of stock options	1,694,829	—	4,999	—	4,999
Issuance of common stock related to the 2021 Equity Incentive Plan	1,357,877	—	—	—	—
Issuance of common stock related to the 2021 Employee Stock Purchase Plan	386,517	—	1,359	—	1,359
Issuance of restricted stock units related to bonus plans	296,448	—	3,507	—	3,507
Stock-based compensation	—	—	11,696	—	11,696
Balance as of June 30, 2024	<u>42,886,281</u>	<u>\$ 4</u>	<u>\$ 213,949</u>	<u>\$ (168,855)</u>	<u>\$ 45,098</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

BACKBLAZE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (16,421)	\$ (21,401)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash lease expense on operating leases	1,964	1,018
Depreciation and amortization	13,238	13,937
Impairment loss on right-of-use assets	59	—
Stock-based compensation	14,663	11,057
Gain on disposal of assets	(248)	(6)
Other	407	31
Changes in operating assets and liabilities:		
Accounts receivable	(1,409)	(1,014)
Prepaid expenses	354	87
Other current assets	(1,722)	(146)
Other assets	(827)	(104)
Accounts payable, accrued expenses and other current liabilities	441	(1,019)
Deferred revenue and other liabilities, non-current	88	3,994
Operating lease liabilities	(2,099)	(791)
Net cash provided by operating activities	8,488	5,643
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(28,132)	(24,127)
Maturities of marketable securities	18,884	26,523
Proceeds from disposal of property and equipment	30	184
Purchases of property and equipment	(1,287)	(694)
Capitalized internal-use software costs	(4,184)	(6,828)
Net cash used in investing activities	(14,689)	(4,942)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance leases and lease financing obligations	(9,277)	(9,711)
Payment of offering costs	(20)	—
Proceeds from debt facility	—	554
Payment of debt issuance costs	(554)	—
Principal payments on insurance premium financing	—	(590)
Proceeds from exercises of stock options	1,894	5,012
Taxes paid for net share settlement of equity awards	(819)	—
Proceeds from ESPP	1,388	1,359
Net cash used in financing activities	(7,388)	(3,376)
Net decrease in cash and cash equivalents and restricted cash	(13,589)	(2,675)
Cash and cash equivalents and restricted cash, at beginning of period	45,776	16,630
Cash and cash equivalents and restricted cash, at end of period	\$ 32,187	\$ 13,955
RECONCILIATION OF CASH AND RESTRICTED CASH		
Cash and cash equivalents	\$ 32,187	\$ 9,273
Restricted cash, non-current	—	4,682
Total cash and cash equivalents and restricted cash	\$ 32,187	\$ 13,955
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 1,694	\$ 1,817
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Stock-based compensation included in capitalized internal-use software	\$ 1,501	\$ 1,965
Accrued bonus settled in restricted stock units	\$ 2,014	\$ 3,507

The accompanying notes are an integral part of these condensed consolidated financial statements.

BACKBLAZE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

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 and Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated. The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and applicable rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) regarding interim financial reporting. Accordingly, they do not include all disclosures normally required in annual consolidated financial statements prepared in accordance with GAAP. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2024 included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2024, which was filed with the SEC on March 11, 2025 (the “Annual Report”). In management’s opinion, these unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect all adjustments, which include normal recurring adjustments necessary for fair presentation. The results of operations for the three and six months ended June 30, 2025 and 2024 are not necessarily indicative of the results to be expected for the full year or any other future interim or annual period.

Reclassifications

To conform to the current period’s presentation, prepaid expenses that were previously included in “prepaid and other current assets” have been reclassified and are now presented as separate line items in the condensed consolidated balance sheet as of December 31, 2024 and the condensed consolidated statement of cash flows for the six months ended June 30, 2024.

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 condensed 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 maintain its EGC status through the last day of the fiscal year following November 2026, the fifth anniversary of its IPO, and to use the extended transition period for any other new or revised accounting standards during the period in which it remains an EGC.

Significant accounting policies

The Company’s significant accounting policies are disclosed in the Company’s audited consolidated financial statements and related notes thereto included in the Annual Report.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the condensed 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 ESPP expense, and accounting for income 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.

During the second quarter of 2025, the Company completed a study of the useful lives of its property and equipment. Effective April 1, 2025, the estimated lives of (i) data center equipment, which includes hard drives, and (ii) machinery and equipment, which includes servers and other infrastructure equipment, were extended on a prospective basis from a range of 3 to 5 years to a uniform 6 years. The reassessment was based on historical data and continuous improvements made to the efficiency and durability of the Company's storage infrastructure.

The change in estimate reduced depreciation expense and increased net income by approximately \$2.4 million for both the three and six months ended June 30, 2025, resulting in increases of \$0.04 per basic and diluted share for both the three and six months ended June 30, 2025. The Company expects an additional reduction in depreciation expense and increase in net income of approximately \$2.8 million for the remainder of 2025.

Comprehensive Loss

The Company does not have any components of other comprehensive income recorded within the condensed consolidated financial statements and therefore does not separately present a statement of comprehensive income in the condensed consolidated financial statements.

Income Taxes

The Company is subject to U.S. federal and state income taxes as a corporation. The Company's tax provision and the resulting effective tax rate for interim periods is determined based upon its estimated annual effective tax rate adjusted for the effect of discrete items arising in that quarter. The effective tax rate for each of the three and six months ended June 30, 2025 and 2024 was zero as the Company has incurred continuous operating losses.

On July 4, 2025, the One Big Beautiful Bill Act (the "OBBB Act") was enacted, introducing amendments to U.S. tax laws with various effective dates from 2025 to 2027. The Company is currently assessing the implications of these tax law changes and does not expect that they will have a material impact on its condensed consolidated financial statements. Since the OBBB Act was enacted after the Company's balance sheet date, the Company's income tax provision and related income tax accounts for the three and six months ended June 30, 2025, does not incorporate the effects of these tax law changes.

Concentrations and Risks and Uncertainties

Credit risk. Financial instruments that potentially subject the Company to credit risk primarily consist of cash, cash equivalents, accounts receivable, marketable securities, and unbilled accounts receivable. The Company maintains its cash, restricted cash, and marketable securities 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 condensed consolidated balance sheets. 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-chain and service disruptions that could harm the Company's business.

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The following table presents concentrations related to the Company's cash disbursements, accounts payable transactions, and accounts receivable transactions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
<i>Cash disbursement concentration</i>				
Number of vendors	2	2	2	2
Total cash disbursements represented by vendors listed above	29%	27%	28%	25%
			June 30, 2025	December 31, 2024
<i>Accounts payable concentration</i>				
Number of vendors			2	1
Total accounts payable balance represented by vendors listed above			28%	14%
<i>Accounts receivable concentration</i>				
Number of customers			2	2
Total accounts receivable balance represented by customers listed above			44%	35%

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 on 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.

Recently Issued Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, "*Income Statement (Subtopic 220-40) - Reporting Comprehensive Income - Expense Disaggregation Disclosures.*" The ASU requires disclosure of specified information about certain costs and expenses, including (i) certain amounts already required to be disclosed in the same disclosure as the other disaggregation requirements, (ii) a qualitative description of amounts remaining in relevant expense captions that are not separately disaggregated quantitatively, and (iii) the total amount of selling expenses and an entity's definition of such expenses. This ASU is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027 on either a prospective or retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this standard.

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 for public companies. As a result, the Company will implement the standard beginning with its annual reporting period ending December 31, 2025. This amendment should be applied on a prospective basis and retrospective application is permitted. The Company is currently evaluating the impact of the adoption of this standard.

Note 3. Revenues

Disaggregation of Total Revenue

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
B2 Cloud Storage	\$ 19,841	\$ 15,415	\$ 37,889	\$ 30,037
Computer Backup	16,457	15,870	33,022	31,216
Total revenue ⁽¹⁾	<u>\$ 36,298</u>	<u>\$ 31,285</u>	<u>\$ 70,911</u>	<u>\$ 61,253</u>

⁽¹⁾ For the periods presented, Physical Media revenue has been allocated to 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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Consumption-based arrangements	\$ 19,151	\$ 14,972	\$ 36,564	\$ 29,250
Subscription-based arrangements	17,038	16,177	34,146	31,744
Physical Media (point in time)	109	136	201	259
Total revenue	<u>\$ 36,298</u>	<u>\$ 31,285</u>	<u>\$ 70,911</u>	<u>\$ 61,253</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
United States	\$ 25,761	\$ 22,891	\$ 51,142	\$ 44,818
United Kingdom	1,937	1,734	3,689	3,362
Canada	1,617	1,444	3,271	2,842
Other	6,983	5,216	12,809	10,231
Total revenue	<u>\$ 36,298</u>	<u>\$ 31,285</u>	<u>\$ 70,911</u>	<u>\$ 61,253</u>

Earned, Unbilled Revenue

As of June 30, 2025 and December 31, 2024, the Company had \$3.6 million and \$2.9 million, respectively, of unbilled accounts receivable included within other current assets on the condensed consolidated balance sheets.

Deferred Revenue

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

	June 30, 2025		December 31, 2024	
Deferred revenue	\$ 35,512		\$ 35,554	

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue recognized from deferred balances at the beginning of each respective period	\$ 12,497	\$ 11,255	\$ 21,035	\$ 17,882

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Deferred revenue represents the invoiced portion of the Company's contract liabilities for which the related performance obligations are still outstanding. The Company's remaining performance obligations ("RPOs") include deferred revenue as well as future committed revenue under existing customer contracts which exceed one year. As of June 30, 2025, the Company's RPOs were \$44.9 million. As of June 30, 2025, the Company expects to recognize approximately 77% of its RPOs over the next 12 months, and substantially all of its RPOs over the next 24 months.

Deferred Contract Costs

The Company's deferred contract costs are comprised of third-party affiliate commissions and, starting in 2024, a commission structure for its sales team. See Note 2 to the audited consolidated financial statements included in the Annual Report for additional information on the commission structure. The following tables present the Company's deferred contract costs and amortization of deferred contract costs (in thousands):

	June 30, 2025	December 31, 2024
Deferred contract costs for marketing affiliates	\$ 541	\$ 542
Deferred contract costs for sales commission	1,538	972

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Amortization of deferred contract costs related to marketing affiliates	\$ 129	\$ 282	\$ 424	\$ 563
Amortization of deferred contract costs related to sales commission	111	15	209	15

Note 4. Marketable Securities

Fair Values and Gross Unrealized Gains and Losses on Investments

The following table summarizes adjusted cost, gross unrealized gains and losses, and fair value by significant investment category. The Company's U.S. treasury, corporate debt, and commercial paper investments with original maturities greater than 90 days are classified as held-to-maturity investments, and money market funds, U.S. treasury, corporate debt, and commercial paper investments with original maturities of 90 days or less are classified as cash equivalents on its condensed consolidated balance sheets as of June 30, 2025 and December 31, 2024. See additional information on the Company's investments in Note 5—Fair Value Measurements.

	Amortized Cost	Gross Unrealized		Fair Value	Net Carrying Value
		Gains	Losses		
As of June 30, 2025		(in thousands)			
Cash equivalents					
Money market funds	\$ 12,017	\$ —	\$ —	\$ 12,017	\$ 12,017
Total cash equivalents	\$ 12,017	\$ —	\$ —	\$ 12,017	\$ 12,017
Investments					
U.S. treasury securities	\$ 9,408	\$ —	\$ —	\$ 9,408	\$ 9,408
Corporate debt securities	8,946	1	—	8,947	8,946
Total investments	\$ 18,354	\$ 1	\$ —	\$ 18,355	\$ 18,354

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	Amortized Cost	Gross Unrealized		Fair Value	Net Carrying Value
		Gains	Losses		
As of December 31, 2024	(in thousands)				
Investments					
Commercial paper	\$ 9,139	\$ —	\$ (2)	\$ 9,137	\$ 9,139
Total investments	<u>\$ 9,139</u>	<u>\$ —</u>	<u>\$ (2)</u>	<u>\$ 9,137</u>	<u>\$ 9,139</u>

Scheduled Maturities

The amortized cost and fair value of the Company's U.S. treasury, corporate debt and commercial paper investments as of June 30, 2025 and December 31, 2024, by contractual maturity, are shown below.

As of June 30, 2025	Amortized Cost	Fair Value
	(in thousands)	
Within one year	\$ 18,354	\$ 18,355
After one year through five years	—	—
After 5 years through 10 years	—	—
After 10 years	—	—
Total investments	<u>\$ 18,354</u>	<u>\$ 18,355</u>

As of December 31, 2024	Amortized Cost	Fair Value
	(in thousands)	
Within one year	\$ 9,139	\$ 9,137
After one year through five years	—	—
After 5 years through 10 years	—	—
After 10 years	—	—
Total investments	<u>\$ 9,139</u>	<u>\$ 9,137</u>

Aging of Unrealized Losses

There were no securities in an unrealized loss position as of June 30, 2025. For those securities in an unrealized loss position as of December 31, 2024, the length of time the securities were in such a position is presented in the table below.

As of December 31, 2024	Less than 12 Months		
	# of Securities	Fair Value	Unrealized Gain / (Losses)
	(dollars in thousands)		
Investments			
Commercial paper	3	\$ 9,137	\$ (2)
Total	<u>3</u>	<u>\$ 9,137</u>	<u>\$ (2)</u>

Note 5. Fair Value Measurements

The Company classifies its U.S. treasury securities and money market funds within Level 1 of the fair value hierarchy, as their fair value is determined by quoted prices in active markets for identical assets. The Company classifies its corporate debt securities within Level 2 of the fair value hierarchy as the fair value of these securities is determined using inputs other than quoted prices that are directly or indirectly observable in the market, including readily available pricing sources for underlying securities that may not be actively traded.

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The following table presents the level within the fair value hierarchy at which the Company's held-to-maturity investments are measured (in thousands):

As of June 30, 2025	Level 1	Level 2	Total
Cash equivalents			
Money market funds	\$ 12,017	\$ —	\$ 12,017
Investments			
U.S. treasury securities	\$ 9,408	\$ —	\$ 9,408
Corporate debt securities	—	8,947	8,947
Total	\$ 21,425	\$ 8,947	\$ 30,372
As of December 31, 2024	Level 1	Level 2	Total
Investments			
Commercial paper	\$ —	\$ 9,137	\$ 9,137
Total	\$ —	\$ 9,137	\$ 9,137

There were no transfers between levels of the fair value hierarchy during the three and six months ended June 30, 2025 and the year ended December 31, 2024, respectively. The Company held no assets or liabilities that were measured at fair value on a recurring basis as of June 30, 2025 or December 31, 2024, respectively.

Note 6. Property and Equipment, Net

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

	June 30, 2025	December 31, 2024
Data center equipment	\$ 61,858	\$ 54,552
Leased and financed data center equipment	69,221	65,037
Machinery and equipment	18,914	16,872
Computer equipment	2,238	2,239
Leasehold improvements	128	244
Construction-in-progress ⁽¹⁾	75	311
Total property and equipment	152,434	139,255
Less: accumulated depreciation and amortization	(102,496)	(96,306)
Total property and equipment, net	\$ 49,938	\$ 42,949

⁽¹⁾ Construction-in-progress relates to assets that have not yet been placed in service and is primarily comprised of hard drives that are not yet deployed.

For the Company's equipment under finance leases and lease financing obligations, accumulated depreciation was \$27.8 million and \$29.3 million as of June 30, 2025 and December 31, 2024, respectively. The carrying value of the Company's equipment under finance lease agreements and lease financing obligations was \$41.4 million and \$35.7 million as of June 30, 2025 and December 31, 2024, respectively.

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

	June 30, 2025	December 31, 2024
United States	\$ 65,024	\$ 47,930
Canada	3,041	3,309
The Netherlands	7,746	7,583
Total property and equipment, net and operating lease right-of-use assets	<u>\$ 75,811</u>	<u>\$ 58,822</u>

Note 7. Capitalized Internal-Use Software, Net

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

	June 30, 2025	December 31, 2024
Developed software	\$ 64,702	\$ 59,435
General and administrative software	144	144
Total capitalized internal-use software	64,846	59,579
Less: accumulated amortization	(22,663)	(17,778)
Total capitalized internal-use software, net	<u>\$ 42,183</u>	<u>\$ 41,801</u>

Amortization expense of capitalized internal-use software for the three and six months ended June 30, 2025 and 2024 is included in the condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Cost of revenue	\$ 2,433	\$ 1,551	\$ 4,879	\$ 2,975
General and administrative	3	3	5	5
Total amortization expense of capitalized internal-use software	<u>\$ 2,436</u>	<u>\$ 1,554</u>	<u>\$ 4,884</u>	<u>\$ 2,980</u>

As of June 30, 2025, the future amortization of capitalized internal-use software has not materially changed compared to the information provided in Note 8 of the Notes to Consolidated Financial Statements in the Annual Report.

Note 8. Leases

The Company enters into finance lease arrangements to obtain hard drives and related equipment for its data center operations. The terms of these agreements generally range from two 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 2025 and 2029. Financing lease right-of-use assets are included in property and equipment, net on the Company's condensed consolidated balance sheets.

The Company leases its facilities for data center spaces 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 in 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 restrictive covenants. The Company's leases have original lease periods expiring between 2025 and 2033. The Company had no short-term leases as of June 30, 2025.

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The weighted average remaining lease terms and discount rates as of June 30, 2025 and December 31, 2024 were as follows:

	June 30, 2025		December 31, 2024	
	Operating leases	Finance Leases ⁽¹⁾	Operating leases	Finance Leases ⁽¹⁾
Remaining lease term	5.8 years	2.2 years	4.4 years	1.9 years
Discount rate	6.9 %	11.9 %	7.2 %	11.9 %

⁽¹⁾ Includes lease financing obligation costs.

The following table presents the components of lease expense (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024 ⁽¹⁾	2025	2024
Finance lease costs				
Depreciation expense ⁽²⁾	\$ 2,006	\$ 3,159	\$ 4,846	\$ 6,723
Interest expense	778	581	1,533	1,174
Lease financing obligation costs				
Depreciation expense ⁽²⁾	\$ 233	\$ 667	\$ 842	\$ 1,334
Interest expense	74	183	172	395
Operating lease costs				
Rental expense related to lease components	\$ 1,283	\$ 665	\$ 2,469	\$ 1,356
Rental expense related to non-lease components ⁽³⁾	1,126	1,249	2,226	2,541
Variable lease costs	1,225	912	2,317	1,912
Total operating lease costs	\$ 3,634	\$ 2,826	\$ 7,012	\$ 5,809
Total included in cost of revenue	\$ 3,359	\$ 2,541	\$ 6,545	\$ 5,229
Total included in general and administrative expense	\$ 275	\$ 285	467	580

⁽¹⁾ The presentation of prior period data has been revised to conform to current year presentation. There have been no changes to the reported amounts, rather certain amounts have been disaggregated to further improve clarity and transparency.

⁽²⁾ Substantially all of the depreciation expense on assets acquired through the Company's finance leases and lease financing obligations is included in cost of revenue in its condensed consolidated statements of operations and comprehensive loss.

⁽³⁾ Non-lease components are related to non-tangible utilities and services used in the Company's co-location data center spaces, which are not recorded on the Company's condensed consolidated balance sheets. 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.

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The following table presents supplemental cash flow information relating to the Company's leases (in thousands):

	Six Months Ended June 30,	
	2025	2024
Operating cash flows		
Cash paid for interest on finance lease and lease financing obligations	\$ 1,694	\$ 1,569
Cash paid for operating lease liabilities	2,623	1,328
Non-cash items		
Equipment acquired through finance leases	\$ 14,064	\$ 5,989
Right-of-use assets obtained in exchange for operating lease obligations	12,023	—

The future minimum commitments for finance leases and lease financing obligations as of June 30, 2025 were as follows (in thousands):

Year Ending December 31,	Finance leases	Lease financing obligations	Total
Remainder of 2025	\$ 9,189	\$ 1,497	\$ 10,686
2026	14,632	—	14,632
2027	10,375	—	10,375
2028	2,637	—	2,637
2029	933	—	933
Total future minimum lease and financing commitments	37,766	1,497	39,263
Less imputed interest	(4,786)	(47)	(4,833)
Total finance lease and lease financing obligation liabilities	\$ 32,980	\$ 1,450	\$ 34,430

As of June 30, 2025, the Company's future minimum obligations for operating leases and non-cancellable contractual commitments related to non-lease components were as follows (in thousands):

Year Ending December 31,	Operating leases	Non-lease components	Total
Remainder of 2025	\$ 3,218	\$ 2,225	\$ 5,443
2026	6,341	3,993	10,334
2027	5,442	2,974	8,416
2028	5,264	2,978	8,242
2029	4,161	2,529	6,690
Thereafter	8,687	1,460	10,147
Total future minimum operating lease commitments	33,113	16,159	49,272
Less imputed interest	(5,946)		
Total liability	\$ 27,167		

In June 2025, the Company amended an existing lease for a data center facility to (i) extend the non-cancellable term of the original lease and (ii) expand into additional infrastructure designed to support multiple-storage offerings. This expansion is expected to commence in the second quarter of 2026 and includes a non-cancellable lease term of approximately seven years. The original lease term was also extended to align with this period.

The multi-storage data center space is considered a separate asset class from the original co-location infrastructure due to its differentiated architectural characteristics, service delivery model, and operational risk profile. The lease and non-lease components of this new asset class are combined in accordance with the Company's established lease accounting policy. The Company's current asset classes of operating lease agreements include rentals of (i) office space, (ii) multi-storage data center spaces, and (iii) co-location data center spaces. The Company refers to multi-storage data center spaces and co-location data center spaces collectively as "data center spaces".

The Company accounted for the lease amendment as a modification under ASC 842. The amendment consists of two components: (i) an extension of the original lease term, which was remeasured as of the modification date, and (ii) a lease for additional, distinct space, which will be accounted for as a separate lease component and measured at its commencement date in the second quarter of 2026. The Company applied an incremental borrowing rate (“IBR”) of 6.8% to remeasure the lease liability. The IBR was estimated based on current market rates for secured borrowings with similar terms and adjusted for the Company’s credit profile. The lease amendment increased total undiscounted minimum lease payments by approximately \$34.5 million, of which \$17.5 million relates to the expanded space.

Note 9. Commitments and Contingencies

Contractual Commitments

The Company has non-cancellable commitments related mainly to service agreements used to facilitate the Company’s operations. As of June 30, 2025, the Company had \$1.2 million, \$2.7 million, \$1.9 million, and \$0.7 million payable for these commitments during the remainder of the year ending December 31, 2025 and the years ending December 31, 2026, 2027, and 2028 respectively.

During the six months ended June 30, 2024, 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, 2024, 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 \$0.5 million to the 401(k) plan for both the three months ended June 30, 2025 and 2024 and \$1.0 million for both the six months ended June 30, 2025 and 2024, respectively.

Legal Matters

The Company is involved from time to time in various claims and legal actions arising in the ordinary course of business. Where appropriate, the Company has established accruals for matters that are both probable and reasonably estimable. We also generally maintain insurance to cover certain types of litigation claims, subject to policy limits, retentions and deductibles, and other factors. Based on information currently available, management does not expect the resolution of these matters, individually or in the aggregate, to have a material adverse effect on the Company’s financial position, results of operations, or cash flows. Nonetheless, the outcome of litigation is inherently uncertain, and unforeseen developments could result in an adverse impact on the Company, including defense and settlement costs, diversion of management resources, and other factors.

Indemnification

The Company enters into indemnification provisions under agreements with other parties from time to time in the ordinary course of business. These agreements may require the Company to indemnify and defend the indemnified party against third-party claims arising from the Company’s activities or from any breaches of representations or warranties made by the Company. It is not possible to reasonably estimate the maximum potential amount under these indemnification agreements due to the unique facts and circumstances of each arrangement. To date, the Company has not incurred any material costs or losses in connection with such indemnification obligations. As a result, the Company has not recorded any liabilities related to these obligations in its condensed consolidated financial statements as of the periods presented.

Note 10. Debt

Revolving Credit Facility

On June 4, 2025, the Company entered into a credit agreement (the “Credit Agreement”) with Citizens Bank, N.A. (the “Lender”), establishing a senior secured revolving credit facility with a total capacity of \$20.0 million (the “Revolving Credit Facility”) to be used for general corporate purposes and working capital needs. The Revolving Credit Facility includes a sub-limit of up to \$3.0 million for the issuance of letters of credit. The Credit Agreement is scheduled to mature on June 4, 2027, at which point all obligations become due. The Credit Agreement includes an option that allows the

Company to extend the maturity date by one year, subject to certain conditions. We incurred \$0.6 million of deferred financing costs in connection with the establishment of the Revolving Credit Facility, which is included in other assets and will be amortized on a straight-line basis over the two-year term of the facility.

The Revolving Credit Facility is secured by a first-priority lien on substantially all assets of the Company and its consolidated subsidiaries, each of which also guarantees the obligations under the facility. Borrowings under the facility bear interest at a variable rate, at the Company's discretion, equal to either (a) the average Secured Overnight Financing Rate plus 3.25% or (b) a base rate, as defined in the Credit Agreement, plus 2.25%. Additionally, the Credit Agreement requires the payment of a commitment fee of 0.35% on the unused portion of the Revolving Credit Facility and a letter of credit availability fee of 0.125% on outstanding letters of credit.

As of June 30, 2025, the Company had no outstanding borrowings under the Revolving Credit Facility nor outstanding letters of credit. As of June 30, 2025, \$20.0 million was available for borrowing under the Revolving Credit Facility.

Debt Covenants under the Credit Agreement

The Credit Agreement contains customary restrictive financial and operating covenants, including limitations on our ability to incur additional indebtedness, pay dividends, make certain investments, sell assets, and engage in other specified transactions. In August 2025, in connection with the establishment of a new share repurchase program (see Note 16 for further information), the Company amended the Credit Agreement to permit share repurchases of up to \$10.0 million, thereby excluding such repurchases from the covenant restrictions. The Credit Agreement also requires the Company to comply with the following financial covenants on a quarterly basis: (i) a minimum liquidity of \$10.0 million held on deposit with the Lender, over which the Company retains control and considers as cash and cash equivalents, (ii) a minimum consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") threshold, and (iii) a maximum total leverage ratio of 2.75 to 1.00, which is calculated based on consolidated EBITDA.

The Credit Agreement defines consolidated EBITDA on a trailing four fiscal quarter basis and includes specified adjustments and exclusions. As a result, EBITDA as defined under the Credit Agreement may differ materially from Adjusted EBITDA as presented elsewhere in this report. For example, the calculation of EBITDA under the Credit Agreement includes exceptions and caps related to adjustments for (i) restructuring and other strategic initiatives, (ii) legal settlements, (iii) completed acquisitions, and (iv) all other non-specified non-recurring charges. As of June 30, 2025, the Company was in compliance with the covenants under the Credit Agreement. Failure to comply with these covenants could have a material adverse effect on the Company's financial condition and liquidity.

RCA Debt Facility

On December 10, 2024, the Company voluntarily terminated its revolving credit agreement (as amended, the "RCA") with City National Bank.

As of June 30, 2024, the interest rate associated with the outstanding balance under the RCA was 8.1% per annum. Total interest expense and amortization of debt issuance costs related to the RCA was \$0.1 million and \$0.2 million for the three and six months ended June 30, 2024, respectively.

Note 11. Stockholders' Equity

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

	June 30, 2025	December 31, 2024
2011 Equity Incentive Plan		
Options outstanding	4,391,807	5,264,351
2021 Equity Incentive Plan		
Options outstanding	1,085,295	1,114,620
Restricted stock units outstanding	5,599,625	4,351,393
Shares available for future grants	6,480,639	6,933,867
2021 Employee Stock Purchase Plan		
Shares available for future purchases	1,721,779	965,766
2024 Inducement Plan		
Restricted stock units outstanding	412,740	412,740
Shares available for future grants	2,000	2,000
Total	19,693,885	19,044,737

Note 12. Stock-Based Compensation

Equity Incentive Plans

In 2021, the Company adopted the 2021 Equity Incentive Plan (the "2021 Plan") under which the Company may grant options, stock appreciation rights, restricted stock units ("RSUs"), restricted stock awards, other equity-based awards and incentive bonuses to employees, officers, non-employee directors and other service providers of the Company and its affiliates.

The number of shares available for issuance under the 2021 Plan is increased on January 1 of each year beginning in 2022 and ending with a final increase in 2031 in an amount equal to the lesser of: (i) 4,784,100 shares, (ii) 5% of the total number of shares of Class A common stock outstanding on the preceding December 31, or (iii) a smaller number of shares determined by the Company's Board of Directors.

In 2021, the Company adopted the 2021 Employee Stock Purchase Plan (the "2021 ESPP"). The number of shares available for issuance under the 2021 ESPP is increased on January 1 of each year beginning in 2022 and ending with a final increase in 2041 in an amount equal to the lesser of: (i) 1,913,630 shares, (ii) 2% of the total number of shares of Class A common stock outstanding on the preceding December 31, or (iii) a smaller number of shares determined by the Company's Board of Directors.

On August 2, 2024, the Company adopted the 2024 New Employee Equity Incentive Plan (the "Inducement Plan"), pursuant to which the Company reserved 414,740 shares of its Class A common stock to be used exclusively for grants of equity-based awards to individuals who were not previously employees or directors of the Company.

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 six months ended June 30, 2025 was as follows:

	RSUs	Weighted-average grant date fair value per unit
RSUs unvested as of December 31, 2024	4,764,133	\$ 6.18
Granted	3,392,170	6.81
Vested	(1,873,193)	6.10
Forfeited	(270,745)	6.28
RSUs unvested as of June 30, 2025	6,012,365	\$ 6.56

As of June 30, 2025, total unrecognized compensation cost related to RSUs was \$36.1 million, which will be recognized over a weighted-average period of 2.3 years.

Bonus Plan

In January 2025, the Compensation Committee approved a new bonus structure (the “2025 Bonus Plan”) for its employees. The 2025 Bonus Plan is contingent upon the achievement of annual corporate performance targets. In each respective calendar year, the Company accrues for the 2025 Bonus Plan. The Compensation Committee assesses the actual performance against these targets to determine the payout amount which is disbursed in the following year. Payouts include both cash and RSU components, which are accounted for under Accounting Standards Codification (“ASC”) 710, *Compensation-General* and ASC 718, *Compensation-Stock Compensation*, respectively. The RSUs will be issued under the 2021 Plan and are subject to performance and service condition vesting requirements, beginning from the grant date to the payout date, with the number of RSUs calculated in accordance with the established payout amount. Participants must remain employed with the Company through the date of payout to maintain eligibility under the 2025 Bonus Plan.

During March 2022, the Compensation Committee approved the Bonus Plan (as defined in Note 14 to Notes to Consolidated Financial Statements in the Annual Report) for its employees. In January 2025, the Compensation Committee approved the issuance of 301,571 RSUs that vested based on actual performance against the targets set in the Bonus Plan for the year ended December 31, 2024.

Pursuant to the bonus plans, the Company recognized \$1.0 million and \$0.5 million in stock-based compensation during the three months ended June 30, 2025 and 2024, respectively, of which the Company capitalized \$0.1 million in each period for the development of internal-use software. The Company recognized \$2.1 million and \$1.3 million in stock-based compensation during the six months ended June 30, 2025 and 2024, respectively, of which the Company capitalized \$0.2 million in each period for the development of internal-use software.

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.

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

	Outstanding stock options	Weighted- average exercise Price	Weighted- average remaining contractual life (years)	Aggregate intrinsic value
Balance as of December 31, 2024	6,378,753	\$ 7.28		
Options granted	—	\$ —		
Options exercised	(730,081)	\$ 2.55		
Options canceled	(171,570)	\$ 6.78		
Balance as of June 30, 2025	<u>5,477,102</u>	<u>\$ 7.93</u>	<u>4.62</u>	<u>\$ 7,395</u>
Vested and exercisable as of June 30, 2025	<u>5,381,651</u>	<u>\$ 7.73</u>	<u>4.59</u>	<u>\$ 7,395</u>

The intrinsic value of options exercised for the six months ended June 30, 2025 and 2024 was \$2.3 million and \$11.1 million, respectively. As of June 30, 2025, total unrecognized compensation cost related to stock options was \$0.8 million, which will be recognized over a weighted-average period of 0.3 years.

ESPP

The Company recorded stock-based compensation under the 2021 ESPP plan of \$0.5 million for both the three months ended June 30, 2025 and 2024, of which the Company capitalized \$0.1 million for both periods for the development of internal-use software. The Company recorded stock-based compensation under the 2021 ESPP plan of \$1.0 million and \$0.8 million for the six months ended June 30, 2025 and 2024, respectively, of which the Company capitalized \$0.2 million and \$0.3 million, respectively, for the development of internal-use software.

As of June 30, 2025, the total unrecognized stock-based compensation expense related to the ESPP was \$3.3 million and is expected to be recognized over a weighted average period of 0.9 years.

The following table summarizes the Black-Scholes option pricing model used in estimating the fair value of the stock purchase rights under the ESPP during the three and six months ended June 30, 2025 and 2024. There were no ESPP offerings or modification events requiring an estimation of fair value during the three months ended March 31, 2025 and 2024.

	Six Months Ended June 30,	
	2025	2024
Expected term (in years)	0.5 - 2.0	0.5 - 2.0
Expected volatility	60.92% - 70.28%	48% - 56%
Risk-free interest rate	3.97% - 4.32%	4.82% - 5.43%
Expected dividend yield	—%	—%

Total Stock-Based Compensation Expense

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Cost of revenue	\$ 432	\$ 354	\$ 852	\$ 740
Research and development	3,272	2,250	6,739	4,358
Sales and marketing	1,881	1,762	3,678	3,584
General and administrative	1,719	1,162	3,394	2,375
Total stock-based compensation expense	<u>\$ 7,304</u>	<u>\$ 5,528</u>	<u>\$ 14,663</u>	<u>\$ 11,057</u>

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During the three and six months ended June 30, 2025, the Company capitalized \$0.8 million and \$1.5 million, respectively, of stock-based compensation for the development of internal-use software. During the three and six months ended June 30, 2024, the Company capitalized \$0.9 million and \$2.0 million, respectively.

Note 13. Net Loss per Share Attributable to Common Stockholders

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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Numerator:				
Net loss and comprehensive loss attributable to common stockholders	\$ (7,097)	\$ (10,348)	\$ (16,421)	\$ (21,401)
Denominator for basic and diluted net loss per share:				
Weighted average common shares outstanding, basic and diluted	55,627,214	42,151,850	54,835,639	41,188,544
Net loss per share attributable to common stockholders – basic and diluted	\$ (0.13)	\$ (0.25)	\$ (0.30)	\$ (0.52)

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 weighted average 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024 ⁽¹⁾	2025	2024 ⁽¹⁾
RSUs	4,745,716	2,359,300	3,523,498	2,598,451
Stock options	4,007,209	5,300,069	3,983,888	5,750,876
Shares issuable pursuant to the ESPP	1,249,684	686,316	1,344,639	761,556
Bonus Plan	—	112,744	94,970	144,453

⁽¹⁾ Historically, the Company computed potentially dilutive securities excluded from the calculation of diluted net loss per share as of the end of each reporting period. The Company now presents these excluded shares as the weighted average number of potentially dilutive securities outstanding during the respective periods. Accordingly, the three and six months ended June 30, 2024, have been updated to conform to the current presentation.

Note 14. Restructuring

In November 2024, management approved a restructuring plan intended to improve the Company's cost structure and operating efficiency (the "2024 Restructuring Plan"). The 2024 Restructuring Plan included an involuntary reduction in headcount of approximately 12% of the Company's workforce. In addition, as part of the 2024 Restructuring Plan, the Company reduced its footprint at its corporate headquarters. The 2024 Restructuring Plan was substantially completed as of December 31, 2024.

The 2024 Restructuring Plan resulted in total restructuring charges of \$4.9 million, which were recognized in the fourth quarter of 2024, primarily consisting of employee severance and benefits of \$3.9 million, impairment charges of

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\$0.9 million on its operating right-of-use assets related to the lease of the Company's corporate headquarters, and professional fees of \$0.1 million. In the second quarter of 2025, the Company recorded a \$0.1 million credit to the estimated severance and benefits costs and an incremental impairment charge of \$0.1 million related to the execution of the sublease of the Company's corporate headquarters.

The following table presents a summary of the liabilities related to the 2024 Restructuring Plan that are included within accounts payable, accrued expenses and other current liabilities on the condensed consolidated balance sheets (in thousands):

Balance as of December 31, 2024	\$	355
Cash payments during the period		(230)
Other adjustments		(125)
Balance as of June 30, 2025	\$	—

Note 15. Segment Reporting

The Company operates in one operating and reportable segment, which derives revenue from the services operating on its storage platform. The Company's chief operating decision maker (the "CODM") is its Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance and allocating resources.

Measure of Segment Profit or Loss

The key measure of segment profit or loss utilized by the CODM to assess the performance of and allocate resources to the Company's operating segment is consolidated net income (loss). Net income (loss) is used in monitoring budget versus actual results and is presented on the condensed consolidated statements of operations and comprehensive loss. The measure of segment assets is reported on the condensed consolidated balance sheet as total consolidated assets.

The CODM reviews cost of revenue, research and development, sales and marketing, and general and administrative expenses exclusive of depreciation, amortization, and stock-based compensation, which are reviewed separately. The segment information for the three and six months ended June 30, 2025 and 2024 is presented below in the following table (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue	\$ 36,298	\$ 31,285	\$ 70,911	\$ 61,253
Adjusted cost of revenue ⁽¹⁾	7,441	6,823	14,734	13,820
Adjusted research and development ⁽¹⁾	8,565	7,272	16,895	14,846
Adjusted sales and marketing ⁽¹⁾	8,261	9,179	15,687	17,332
Adjusted general and administrative ⁽¹⁾	5,493	5,268	10,705	10,599
Depreciation	3,102	5,509	8,353	10,957
Amortization	2,372	1,516	4,885	2,980
Stock-based compensation	7,304	5,528	14,663	11,057
Other segment items ⁽²⁾	857	538	1,410	1,063
Net loss and comprehensive loss	\$ (7,097)	\$ (10,348)	\$ (16,421)	\$ (21,401)

⁽¹⁾ Cost of revenue and operating expenses have been adjusted to exclude depreciation, amortization and stock-based compensation, which are disaggregated in their presentation to the CODM.

⁽²⁾ Other segment items include investment income, interest expense, foreign exchange loss (gain), and income tax provision.

Note 16. Subsequent Events

In August 2025, the Company announced a share repurchase program to purchase up to \$10.0 million of shares of its common stock through August 1, 2026, as approved by the Company's board of directors. The program is intended to reduce the dilutive impact of stock-based compensation and will be funded through the cash proceeds from stock options exercised by employees and employee purchases under the 2021 ESPP, which is intended to be cash neutral to the Company.

Repurchases may be made from time to time in open market transactions, privately negotiated transactions, or by other means, including automatic purchase plans pursuant to Rule 10b5-1, in accordance with applicable securities laws. The timing, number of shares repurchased, and prices paid for the shares under this program will be generally determined by management based on its evaluation of general business and market conditions as well as corporate and regulatory limitations, prevailing stock prices, and other considerations.

The share repurchase program may be suspended, modified, or discontinued at any time and does not obligate the Company to acquire any amount of common stock.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the year ended December 31, 2024 included in the Annual Report on Form 10-K for the year ended December 31, 2024 (our "Annual Report"). This discussion, particularly information with respect to our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations, includes forward-looking statements that involve risks and uncertainties as described under the heading "Special Note About Forward-Looking Statements" in this Quarterly Report on Form 10-Q. You should review the disclosure under the heading "Risk Factors" in this Quarterly Report on Form 10-Q for a discussion of important factors that could cause our actual results to differ materially from those described or implied in these forward-looking statements. Our historical results are not necessarily indicative of the results that may be expected for any period in the future. Unless the context otherwise requires, all references in this report to "Backblaze," the "Company", "we," "our," "us," or similar terms refer to Backblaze, Inc. and its consolidated subsidiaries.

Overview

We are a leading specialized storage cloud platform, providing businesses and consumers with 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 offering an easy-to-use, cost-effective, performant 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. Customers use us to support their artificial intelligence ("AI") workflows, help ensure the cyber-resilience of their organizations, streamline their media workflows, and enable a variety of other data-focused application and information technology ("IT") needs. Through our blog and culture of transparency, we have built a community of millions of readers and brand advocates. Our direct sales activities, channel and technology partners, and referrals from our community of brand advocates, combined with our highly efficient and self-serve customer acquisition model have allowed us to attract over 500,000 customers, and our direct sales activities have historically supported us in acquiring larger customers. As we seek to move up-market, we expect our direct sales activities to increasingly contribute to the acquisition of these customers. Our customers use our Storage Cloud platform across more than 175 countries to store and protect their data with an aggregate of approximately 5 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 or committed contract basis for greater predictability. 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 focus on specialized storage and an open cloud ecosystem that integrates smoothly with a broad range of partners. Ongoing investment in our technology platform and related features has driven customer, community, and product milestones. Starting in the second half of 2024, we initiated a go-to-market transformation that is actively moving the company up-market, which has been evidenced by the signing of multiple deals with total contract values over \$1.0 million each and an acceleration of revenue growth for B2 Cloud Storage to 29% year-over-year.

To support our up-market expansion and evolving customer needs, we recently launched B2 Overdrive, our premium-priced, ultra high-throughput performance cloud storage solution, designed to meet the demands of data-intensive workloads including AI and machine-learning training, large-scale analytics, high-performance computing, and media processing. We also introduced a suite of enterprise cyber security features including AI-powered anomaly alerts, mandatory multifactor authentication, bucket access logging, and Enterprise Web Console which streamlines roles-based administrative control in complex environments to help with cybersecurity and account management. These launches expand our addressable market among enterprise and AI-driven customers and lay the groundwork for further innovation to drive differentiated value for these customers.

Factors Affecting Our Performance

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

Scale Sales Efforts

We believe an increasingly important customer acquisition model is our targeted direct sales team that is focused on larger customers as well as our channel and partner sales teams. We intend to enhance and grow our sales team with the goal of expanding our customer base and targeting larger clients.

We also plan to continue to build our ecosystem of partners. We believe that delivering our Storage Cloud solutions through our alliance, developer, channel, and managed service provider 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 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 invest in marketing initiatives. We will continue investing in our customer acquisition activities, which are 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 have refined our acquisition mix to prioritize high-value customers and reduce reliance on promotional or lower-margin license types. We intend to leverage this model as an efficient approach to attract new customers, turning them into brand advocates, partners, and more referrals.

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 use data, the utilization of our platform increases, creating natural opportunities for revenue expansion.

Continued Platform Investment and New Product Launches

We are committed to continued investment in capital and research and development activities to meet the performance requirements of modern enterprise and AI workloads. In April 2025, we launched B2 Overdrive, a premium priced high-performance cloud storage solution for data-intensive workloads such as AI and machine-learning training, high-performance computing, large-scale analytics, and media processing. In May 2025, we released the Enterprise Web Console for B2 Cloud Storage, which streamlines role-based administration in complex enterprise environments. These launches build on our up-market go-to-market transformation and are expected to broaden our addressable market, deepen cross-sell and upsell potential, and position us to capture incremental growth in enterprise and AI-driven customers. To support these new offerings and our up-market strategy, we expect capital expenditures to increase in the coming quarters.

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 29% and 28% of our total revenue originating outside of the United States for the three and six months ended June 30, 2025, respectively. We believe international expansion may represent a meaningful opportunity. We may invest in our operations internationally to reach new customers by expanding into targeted key geographies where we believe there are opportunities for significant return on investment. In January 2025, for example, we collaborated with a leading hybrid cloud solutions provider in Canada to extend our market reach in this region. This collaboration led to the launch of a new data center region in Canada in January 2025.

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.

	June 30,	
	2025	2024
B2 Cloud Storage		
Net revenue retention rate	112 %	126 %
Gross customer retention rate	89 %	89 %
Annual recurring revenue (in millions)	\$ 80.7	\$ 62.8
Computer Backup		
Net revenue retention rate	106 %	105 %
Gross customer retention rate	90 %	90 %
Annual recurring revenue (in millions)	\$ 65.2	\$ 63.5
Total Company		
Net revenue retention rate	109 %	114 %
Gross customer retention rate	90 %	90 %
Annual recurring revenue (in millions)	\$ 145.9	\$ 126.3

Net Revenue Retention Rate

We believe the growth in the 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. Our continued focus on our customers is driving significant revenue retention, as evidenced by our overall net revenue retention rates (“NRRs”) of 109% and 114% as of June 30, 2025 and June 30, 2024, respectively. The enhancement of our B2 Cloud Storage offerings is a key contributor to this success, resulting in NRRs of 112% and 126% for the same periods. The decrease in the NRR for B2 is largely driven by the lapped impact of the October 2023 price increase, which we announced during the third quarter of 2023, and resulted in pricing increases across our Computer Backup and B2 Cloud Storage products.

To calculate the NRR for a specific quarter, we determine the revenue recognized in that quarter from customers who generated revenue during the same quarter of the previous year. This revenue is then divided by the revenue generated in the prior year quarter. Our overall NRR rate is calculated as the average of these quarterly rates over the past four quarters to provide a comprehensive view of revenue trends.

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 have maintained gross customer retention rates of approximately 90% across our revenue products as of both June 30, 2025 and June 30, 2024. We believe our high gross customer retention rates demonstrate that we provide 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 our quarterly gross customer retention rates. We calculate the quarterly gross customer retention rates 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.

Annual Recurring Revenue

We define 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 each of B2 Cloud Storage and Computer Backup is calculated in the same manner as our overall ARR based on the revenue from our B2 Cloud Storage and Computer Backup solutions, respectively. See Note 3 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q 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 substantially all of our revenue as recurring in nature for the periods presented. As noted above, our gross customer retention rate has been consistent over the periods presented at approximately 90%. Although B2 Cloud Storage is generally consumption-based and 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 112% as of June 30, 2025. Computer Backup (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 our audited consolidated financial statements included in our Annual Report 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.

Changes to recurring revenue may result from the expansion of our offerings to our existing customers, as well as new customer acquisition and the timing of customer renewals. Our ARR increased by \$17.9 million for B2 Cloud Storage and \$1.7 million for Computer Backup as of June 30, 2025 compared to June 30, 2024, representing 29% and 3% growth, respectively. While growth in Computer Backup ARR has declined, the offering continues to serve as a stable source of recurring revenue, supported by multi-year subscription commitments and increased demand from business environments.

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 committed contract basis or a subscription-based arrangement through B2 Cloud Storage and Computer Backup, respectively. Our subscription arrangements generally range in duration from one month to five years, for which we bill our customers up front for the entire period.

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.

Cost of Revenue and Gross Margin

Cost of revenue consists of our expenses in providing our platform and cloud services to our customers. These expenses include operating our multi-storage data centers and our co-location data center spaces (collectively, “data center spaces”), network and bandwidth costs, and depreciation of our equipment and finance leased equipment in data center spaces. 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 to support the growth of our business. Some of these investments, including costs of infrastructure equipment (including related depreciation) and expansion, and software development costs and related amortization 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.

As discussed above, during the second quarter of 2025, we completed a study on the useful lives of our property and equipment, resulting in an extension of the useful life of our infrastructure equipment. This update resulted in a reduction in depreciation expense of approximately \$2.4 million for the three months ended June 30, 2025 and is anticipated to result in further reduction of approximately \$2.8 million for the remainder of the year.

Operating Expenses

The most significant components of our operating expenses are personnel costs, which consist of salaries, benefits, bonuses, and stock-based compensation. We expect that our operating expenses, excluding depreciation, amortization and stock-based compensation expenses, to remain relatively flat in 2025 compared to the prior year, as efficiencies from our restructuring activities in 2024 offset increased investments in research and development and other growth-related costs; however, some of our sales and marketing expenses may increase as we continue to ramp up our hiring and external marketing spend over time in absolute dollars as we grow our business.

Research and Development

Research and development expenses consist primarily of our investment in personnel costs, costs related to infrastructure engineering, and an allocation of certain facility and IT-related expenses. We capitalize the portion of our software development costs that meets the criteria for capitalization.

We expect our investment in research and development 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, further enhancing 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 include the cost of personnel focused on developing and executing selling and marketing activities. Sales and marketing expenses also include investments related to advertising, marketing, our brand awareness activities, sales commissions paid to our employees, and an allocation of our general overhead expenses.

We plan to continue investing in sales initiatives, 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 marketing events. 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, 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. While we expect general and administrative expenses to increase as the business scales, we anticipate that these costs will decline as a percentage of revenue over time, as incremental investments are concentrated in research and development and cost of revenue functions that more directly support business growth.

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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, interest on the outstanding balance of our debt facility, and the amortization of debt issuance costs.

Income Tax 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 condensed consolidated statements of operations and comprehensive loss data for the periods indicated:

	Three Months Ended June 30,				Six Months Ended June 30,							
	2025		2024		2025		2024					
	\$	%	\$	%	\$	%	\$	%				
	(dollars in thousands)											
Revenue	\$	36,298	100 %	\$	31,285	100 %	\$	70,911	100 %	\$	61,253	100 %
Cost of revenue ⁽¹⁾		13,257	37 %		14,056	45 %		28,614	40 %		28,213	46 %
Gross profit		23,041	63 %		17,229	55 %		42,297	60 %		33,040	54 %
Operating expenses:												
Research and development ⁽¹⁾		11,878	33 %		9,589	31 %		23,733	33 %		19,335	32 %
Sales and marketing ⁽¹⁾		10,172	28 %		10,991	35 %		19,435	27 %		21,013	34 %
General and administrative ⁽¹⁾		7,708	21 %		6,458	21 %		14,766	21 %		13,011	21 %
Total operating expenses		29,758	82 %		27,038	86 %		57,934	82 %		53,359	87 %
Loss from operations		(6,717)	(19)%		(9,809)	(31)%		(15,637)	(22)%		(20,319)	(33)%
Investment income		500	1 %		362	1 %		1,033	1 %		746	1 %
Interest expense		(880)	(2)%		(901)	(3)%		(1,733)	(2)%		(1,822)	(3)%
Loss before provision for income taxes		(7,097)	(20)%		(10,348)	(33)%		(16,337)	(23)%		(21,395)	(35)%
Income tax provision		—	—%		—	—%		84	—%		6	—%
Net loss and comprehensive loss	\$	(7,097)	(20)%	\$	(10,348)	(33)%	\$	(16,421)	(23)%	\$	(21,401)	(35)%

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Cost of revenue	\$ 432	\$ 354	\$ 852	\$ 740
Research and development	3,272	2,250	6,739	4,358
Sales and marketing	1,881	1,762	3,678	3,584
General and administrative	1,719	1,162	3,394	2,375
Total stock-based compensation expense	\$ 7,304	\$ 5,528	\$ 14,663	\$ 11,057

Comparison of the Three and Six Months Ended June 30, 2025 and 2024

Revenue

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2025	2024	\$	%	2025	2024	\$	%
	(dollars in thousands)				(dollars in thousands)			
B2 Cloud Storage revenue	\$ 19,841	\$ 15,415	\$ 4,426	29 %	\$ 37,889	\$ 30,037	\$ 7,852	26 %
Computer Backup revenue	16,457	15,870	587	4 %	33,022	31,216	1,806	6 %
Total revenue ⁽¹⁾	\$ 36,298	\$ 31,285	\$ 5,013	16 %	\$ 70,911	\$ 61,253	\$ 9,658	16 %

⁽¹⁾ For the periods presented, Physical Media revenue has been allocated to B2 Cloud Storage or Computer Backup revenue based on the underlying offering from which it originates.

Total revenue increased by \$5.0 million, or 16%, for the three months ended June 30, 2025 compared to the same period in 2024.

Primary factors influencing the \$4.4 million increase in B2 Cloud Storage revenue include the following:

- a \$1.9 million increase driven by higher storage usage as a result of upselling and organic data growth by existing customers; and
- a \$2.5 million increase in sales to new customers.

Primary factors influencing the \$0.6 million increase in Computer Backup revenue include the following:

- a \$1.3 million increase due to price increases that went into effect in October 2023; partially offset by a \$0.9 million decrease from a decline in license counts.

Total revenue increased by \$9.7 million, or 16%, for the six months ended June 30, 2025 compared to the same period in 2024.

Primary factors influencing the \$7.9 million increase in B2 Cloud Storage revenue include the following:

- a \$3.7 million increase related to higher storage usage as a result of upselling and organic growth by existing customers; and
- a \$4.2 million increase in sales to new customers.

Primary factors influencing the \$1.8 million increase in Computer Backup revenue include the following:

- a \$3.2 million increase due to price increases that went into effect in October 2023; and
- a \$1.7 million decrease from a decline in license count.

Cost of Revenue and Gross Margin

	Three Months Ended June 30,				Six Months Ended June 30,			
			Change				Change	
	2025	2024	\$	%	2025	2024	\$	%
	(dollars in thousands)				(in thousands)			
Cost of revenue	\$ 13,257	\$ 14,056	\$ (799)	(6)%	\$ 28,614	\$ 28,213	\$ 401	1 %
Gross margin	63 %	55 %			60 %	54 %		

Cost of Revenue

Primary factors influencing the \$0.8 million, or 6%, decrease in cost of revenue for the three months ended June 30, 2025 compared to the same period in 2024 include the following:

- a \$2.4 million decrease in depreciation expense due the extension of the useful life of our infrastructure equipment;
- a \$0.9 million increase in amortization expense related to capitalized investments in platform enhancements and new software features; and
- a \$0.7 million increase related to managing and operating our data center spaces.

Primary factors influencing the \$0.4 million, or 1%, increase in cost of revenue for the six months ended June 30, 2025 compared to the same period in 2024 include the following:

- a \$1.9 million increase in amortization expense related to capitalized investments in platform enhancements and new software features;
- a \$1.0 million increase related to managing and operating our data center spaces; and
- a \$2.4 million decrease in depreciation expense due the extension of the useful life of our infrastructure equipment;

Gross Margin

Gross margin was 63% and 60% for the three and six months ended June 30, 2025, respectively, compared to 55% and 54% for the same period in 2024, respectively. The growth in our gross margin for both periods is primarily driven by the decrease in depreciation expense due the extension of the useful life of our infrastructure equipment, effective April 1, 2025, which contributed 7% and 3% for the three and six months ended June 30, 2025, as well as improved benefits of scale relative to the cost of personnel to support our cost of sales, and partially offset by increases related to the expansion of our data center spaces.

Operating Expenses

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2025	2024	\$	%	2025	2024	\$	%
	(dollars in thousands)				(dollars in thousands)			
Research and development	\$ 11,878	\$ 9,589	\$ 2,289	24 %	\$ 23,733	\$ 19,335	\$ 4,398	23 %
Sales and marketing	\$ 10,172	\$ 10,991	\$ (819)	(7)%	\$ 19,435	\$ 21,013	\$ (1,578)	(8)%
General and administrative	\$ 7,708	\$ 6,458	\$ 1,250	19 %	\$ 14,766	\$ 13,011	\$ 1,755	13 %

Primary factors influencing the change in operating expenses for the three months ended June 30, 2025 compared to the same period in 2024 include the following:

Research and Development

- an increase of \$1.3 million related to personnel-related expenses, net of capitalization for internal-use software, to support our storage cloud features and offerings; and
- an increase of \$1.0 million in stock-based compensation expense related to the timing of award grants.

Sales and Marketing

- a decrease of \$0.6 million due to compensation expense related to a reduction in headcount; and
- a decrease of \$0.4 million due to advertising and other sales and marketing expenses due to enhanced efficiency and customer segment targeting through more focused and effective sales and marketing efforts.

General and Administrative

- an increase of \$0.6 million in stock-based compensation expense related to the timing of award grants; and
- an increase of \$0.5 million related to foreign exchange expense related to leases denominated in foreign currencies.

Primary factors influencing the change in operating expenses for the six months ended June 30, 2025 compared to the same period in 2024 include the following:

Research and Development

- an increases of \$2.4 million in stock-based compensation expense related to the timing of award grants; and
- an increase of \$2.2 million related to personnel-related expenses, net of capitalization for internal-use software, to support our storage cloud features and offerings.

Sales and Marketing

- a decrease of \$1.0 million due to compensation expense related to a reduction in headcount; and
- a decrease of \$0.7 million due to advertising and other sales and marketing expenses due to enhanced efficiency and customer segment targeting through more focused and effective sales and marketing efforts.

General and Administrative

- an increase of \$1.0 million in stock-based compensation expense related to the timing of award grants; and
- an increase of \$0.6 million related to foreign exchange expense related to leases denominated in foreign currencies.

Investment Income

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2025	2024	\$	%	2025	2024	\$	%
	(dollars in thousands)				(dollars in thousands)			
Investment income	\$ 500	\$ 362	\$ 138	38 %	\$ 1,033	\$ 746	\$ 287	38 %

Investment income increased for the three and six months ended June 30, 2025 compared to the same periods in 2024 primarily due to the investment of additional cash raised in the November 2024 offering.

Interest Expense

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2025	2024	\$	%	2025	2024	\$	%
	(dollars in thousands)				(dollars in thousands)			
Interest expense	\$ (880)	\$ (901)	\$ 21	2 %	\$ (1,733)	\$ (1,822)	\$ 89	5 %

Interest expense remained relatively flat for the three and six months ended June 30, 2025 compared to the same periods in 2024.

Income Tax Provision

Our provision for income taxes was immaterial for the three and six months ended June 30, 2025 and 2024.

Non-GAAP Financial Measures

To supplement our condensed 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 profit (and margin), adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”), adjusted EBITDA margin, adjusted free cash flow, and adjusted free cash flow margin, 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 Profit and Margin

We believe adjusted gross profit (and 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 profit as gross profit, excluding stock-based compensation expense, depreciation and amortization and restructuring charges within cost of revenue. We define adjusted gross margin as a percentage of adjusted gross profit to revenue. We exclude stock-based compensation, which is a non-cash item, and restructuring charges 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 profit (and 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
	(dollars in thousands)			
Gross profit	\$ 23,041	\$ 17,229	\$ 42,297	\$ 33,040
Adjustments:				
Stock-based compensation	432	354	852	740
Depreciation and amortization	5,384	6,879	13,028	13,653
Workforce reduction and related severance charges	(13)	—	(13)	—
Adjusted gross profit	\$ 28,844	\$ 24,462	\$ 56,164	\$ 47,433
Gross margin	63%	55%	60%	54%
Adjusted gross margin	79%	78%	79%	77%

Adjusted EBITDA and Adjusted EBITDA Margin

We define Adjusted EBITDA as net loss adjusted to exclude depreciation and amortization, stock-based compensation, interest expense, investment income, income tax provision, realized and unrealized gains and losses on foreign currency transactions, impairment of long-lived assets, restructuring charges, legal settlement costs, and other non-recurring charges. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenues for the period. We use Adjusted EBITDA and Adjusted EBITDA Margin to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that Adjusted EBITDA and Adjusted EBITDA Margin, when taken together with our GAAP financial results, provide 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 and Adjusted EBITDA Margin to be important measures because they help illustrate underlying trends in our business and our historical operating performance on a more consistent basis.

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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
	(dollars in thousands)			
Net loss and comprehensive loss	\$ (7,097)	\$ (10,348)	\$ (16,421)	\$ (21,401)
Adjustments:				
Depreciation and amortization	5,474	7,025	13,238	13,937
Stock-based compensation	7,304	5,528	14,663	11,057
Interest expense and investment income, net	380	539	700	1,076
Income tax provision	—	—	84	6
Foreign exchange loss (gain) ⁽¹⁾	477	(1)	626	(19)
Litigation settlement costs	138	—	138	—
Restructuring charges	(66)	—	(66)	—
Adjusted EBITDA	\$ 6,610	\$ 2,743	\$ 12,962	\$ 4,656
Adjusted EBITDA Margin	18%	9%	18%	8%

⁽¹⁾ We began including foreign exchange loss (gain) in its reconciliation of net loss to Adjusted EBITDA beginning in the third quarter of 2024. Adjusted EBITDA and Adjusted EBITDA margin for the prior periods presented have been updated to conform with current presentation.

Adjusted Free Cash Flow and Adjusted Free Cash Flow Margin

We believe that Adjusted Free Cash Flow and Adjusted Free Cash Flow Margin are useful metrics for assessing liquidity that provide information to management and investors about the cash generated from our core operations that can be reinvested in the business. However, these measures should not replace cash flows from operations as a liquidity benchmark. One limitation of these metrics is that they do not reflect our future contractual commitments, nor do they capture the overall changes in our cash balance during a specific period. Nonetheless, we believe that Adjusted Free Cash Flow and Adjusted Free Cash Flow Margin are key metrics providing insight on our financial trajectory that helps us make informed decisions as we work towards sustainable positive cash flow.

We believe that Adjusted Free Cash Flow and Adjusted Free Cash Flow Margin provide a reliable measure for assessing our historical financial results, which in turn supports our planning for future growth and our efforts to achieve positive cash flow.

We define adjusted free cash flow as net cash provided by operating activities less purchases of property and equipment, capitalized internal-use software costs, principal payments on finance leases and lease financing obligations, as reflected in our condensed consolidated statements of cash flows, and excluding payments on restructuring charges, payments on legal settlement costs, and payments on other non-recurring charges. Adjusted free cash flow margin is calculated as adjusted free cash flow divided by revenue.

The following table presents a reconciliation of net cash provided by operating activities, the most directly comparable financial measure stated in accordance with GAAP, to Adjusted Free Cash Flow for each of the periods presented.

	Six Months Ended June 30,	
	2025	2024
	(dollars in thousands)	
Net cash provided by operating activities	8,488	\$ 5,643
Capital expenditures ⁽¹⁾	(5,471)	(7,522)
Principal payments on finance leases and lease financing obligations	(9,277)	(9,711)
Litigation settlement costs	12	—
Payment of workforce reduction and related severance charges	230	—
Adjusted Free Cash Flow	\$ (6,018)	\$ (11,590)
Adjusted Free Cash Flow Margin	(8)%	(19)%

⁽¹⁾ Capital expenditures are defined as cash used for purchases of property and equipment and capitalized internal-use software costs.

Liquidity and Capital Resources

General

Since inception, we have financed operations primarily through payments received from our customers and, in later periods, from the net proceeds from our public offerings. As of June 30, 2025 and December 31, 2024, our principal sources of liquidity were cash, cash equivalents and marketable securities of \$50.5 million and \$54.9 million, respectively.

We believe that our existing cash, cash equivalents, and marketable securities, 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 center spaces, the price at which we are able to purchase or lease infrastructure equipment, the impact of inflation on interest rates, 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. To support our up-market transformation, we expect to increase our capital expenditures, continue leveraging finance lease agreements for infrastructure investments and, when strategic opportunities arise, we may supplement our revolving credit facility with additional equity or debt funding to accelerate enterprise-focused growth. 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.

We maintain cash deposits in the United States, in Federal Deposit Insurance Corporation insured banks. 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.

Debt

On June 4, 2025, we entered into a credit agreement (the “Credit Agreement”) with Citizens Bank, N.A. (the “Lender”), establishing a senior secured revolving credit facility with a total capacity of \$20.0 million (the “Revolving Credit Facility”) to be used for general corporate purposes and working capital needs. The Revolving Credit Facility includes a sub-limit of up to \$3.0 million for the issuance of letters of credit. The Credit Agreement is scheduled to mature on June 4, 2027, at which point all obligations become due. The Credit Agreement includes an option that allows us to extend the maturity date by one year, subject to certain conditions.

Borrowings under the facility bear interest at a variable rate, at our discretion, equal to either (a) the average Secured Overnight Financing Rate plus 3.25% or (b) a base rate, as defined in the Credit Agreement, plus 2.25%. Additionally, the Credit Agreement requires the payment of a commitment fee of 0.35% on the unused portion of the Revolving Credit Facility, and a letter of credit availability fee of 0.125% on outstanding letters of credit.

Our ability to pay interest on or to refinance our indebtedness depends on our future performance, working capital levels and capital structure, which are subject to general economic, financial, competitive, legislative, regulatory and other factors which may be beyond our control. There can be no assurance that we will generate sufficient cash flow from our operations or that future financings will be available on acceptable terms or in amounts sufficient to enable us to service or refinance our indebtedness or to make necessary capital expenditures.

As of June 30, 2025, we had no outstanding borrowings under the Revolving Credit Facility nor outstanding letters of credit. As of June 30, 2025, \$20.0 million was available for borrowing under the Revolving Credit Facility.

Debt Covenants under the Credit Agreement

The Credit Agreement contains customary restrictive financial and operating covenants, including limitations on our ability to incur additional indebtedness, pay dividends, make certain investments, sell assets, and engage in other specified transactions. In August 2025, in connection with the establishment of a new share repurchase program (see Note 16 to our

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condensed consolidated financial statements included in this Quarterly Report on Form 10-Q), we amended the Credit Agreement to permit share repurchases of up to \$10.0 million, thereby excluding such repurchases from the covenant restrictions. The Credit Agreement also requires us to comply with the following financial covenants on a quarterly basis: (i) a minimum liquidity of \$10.0 million held on deposit with the Lender, over which we retain control and consider as cash and cash equivalents, (ii) a minimum consolidated earnings before interest, taxes, depreciation and amortization (“EBITDA”) threshold, and (iii) a maximum total leverage ratio of 2.75 to 1.00, which is calculated based on consolidated EBITDA.

The Credit Agreement defines consolidated EBITDA on a trailing four fiscal quarter basis and includes specified adjustments and exclusions. As a result, EBITDA as defined under the Credit Agreement may differ materially from Adjusted EBITDA as presented elsewhere in this report. For example, the calculation of EBITDA under the Credit Agreement includes exceptions and caps related to adjustments for (i) restructuring and other strategic initiatives, (ii) legal settlements, (iii) completed acquisitions, and (iv) all other non-specified non-recurring charges. As of June 30, 2025, we were in compliance with the covenants under the Credit Agreement. Failure to comply with these covenants could have a material adverse effect on the Company’s financial condition and liquidity.

Commitments

Finance Leases

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 center spaces and office space under non-cancelable operating leases with various expiration dates. See Note 8 to our condensed consolidated financial statements in this

Quarterly Report on Form 10-Q for our future minimum commitments related to our finance leases. The weighted average discount rate for finance leases was 11.9% as of June 30, 2025.

Operating Leases

We lease our facilities for data center spaces and office space under non-cancelable operating leases with various expiration dates. The weighted average discount rate for operating leases was 6.9% as of June 30, 2025.

In June 2025, we amended an existing lease for a data center facility to (i) extend the non-cancellable term of the original lease and (ii) expand into additional infrastructure designed to support multiple-storage offerings. This expansion is expected to commence in the second quarter of 2026 and includes a non-cancellable lease term of approximately seven years. The original lease term was also extended to align with this period.

See Note 8 to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q for our future minimum commitments related to our operating leases.

Purchase Commitments

In addition, we have purchase commitments that relate mainly to infrastructure agreements used to facilitate our operations. As of June 30, 2025, the Company had \$1.2 million, \$2.7 million, \$1.9 million, and \$0.7 million payable for these commitments during the remainder of the year ending December 31, 2025 and the years ending December 31, 2026, 2027, and 2028, respectively.

Share Repurchase Program

In August 2025, we announced a new share repurchase program to purchase up to \$10 million of shares of our common stock through August 1, 2026, as approved by our board of directors. The program is intended to reduce the dilutive impact of stock-based compensation and will be generally funded through the cash proceeds from exercised stock options and the 2021 ESPP, which will be cash neutral overall.

Repurchases may be made from time to time in open market transactions, pursuant to Rule 10b5-1 trading plans, or through other means, in accordance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The timing, number of shares repurchased, and prices paid for the shares under this program will depend on general business and market conditions as well as corporate and regulatory limitations, prevailing stock prices, and other considerations.

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The share repurchase program may be suspended, modified, or discontinued at any time and does not obligate the Company to acquire any amount of common stock.

Cash Flows

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

	Six Months Ended June 30,	
	2025	2024
	(in thousands, unaudited)	
Net cash provided by operating activities	\$ 8,488	\$ 5,643
Net cash used in investing activities	\$ (14,689)	\$ (4,942)
Net cash used in financing activities	\$ (7,388)	\$ (3,376)

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.

For the six months ended June 30, 2025, cash provided by operating activities was \$8.5 million, which resulted from a net loss of \$16.4 million, adjusted for non-cash charges of \$30.1 million and net cash outflow of \$5.2 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of \$14.7 million for stock-based compensation expense, \$13.2 million for depreciation and amortization expense, and noncash lease expense on operating leases of \$2.0 million. The net cash outflow from changes in operating assets and liabilities was primarily the result of cash outflows related to a decrease of \$2.1 million in operating lease liabilities, related to the timing of payments, as well as increases of \$1.7 million and \$1.4 million in other current assets and accounts receivable, respectively, each related to the timing of collections.

Cash provided by operations increased for the six months ended June 30, 2025, as compared to the same period in 2024 primarily driven by our strategy to secure larger contracts and the cost savings achieved through recent restructuring efforts, partially offset by increased investment in research and development to support business growth.

For the six months ended June 30, 2024, cash provided by operating activities was \$5.6 million, which resulted from a net loss of \$21.4 million, adjusted for non-cash charges of \$26.0 million and net cash inflow of \$1.0 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of \$13.9 million for depreciation and amortization expense and \$11.1 million for stock-based compensation expense. The net cash inflow from changes in operating assets and liabilities was primarily the result of a \$4.0 million increase of deferred revenue, which increased due to our growing sales and timing of collections from our customers, offset in part by a \$1.0 million increase in accounts receivable, a \$0.8 million decrease of operating lease liabilities, a \$1.0 million decrease in accounts payable, accrued expenses and other current liabilities, which decreased primarily due to our accrued compensation and due to timing of payment of our expenses. Cash provided by operations increased for the six months ended June 30, 2024, as compared to the same period in 2023 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 data center spaces, and increased spending in support of our expanded research and development and sales and marketing spending to support business growth.

Investing Activities

Cash used in investing activities during the six months ended June 30, 2025 was \$14.7 million, resulting primarily from the following activity:

- Purchases of marketable securities of \$28.1 million;
- Cash payments of \$4.2 million related to the development of internal-use software for adding new features and enhanced functionality to our platform;
- Cash payments of \$1.3 million related to capital expenditures in support of infrastructure deployments to support our growing business; and
- Proceeds of \$18.9 million from the maturity of our marketable securities.

Cash used in investing activities during the six months ended June 30, 2024 was \$4.9 million, resulting primarily from the following activity:

- Purchases of marketable securities of \$24.1 million;
- Cash payments of \$6.8 million related to the development of internal-use software for adding new features and enhanced functionality to our platform;
- Cash payments of \$0.7 million related to capital expenditures in support of infrastructure deployments to support our growing business;
- Proceeds of \$26.5 million from the maturity of our marketable securities; and
- Proceeds of \$0.2 million from the disposition of certain hard drives.

Financing Activities

Cash used in financing activities for the six months ended June 30, 2025 was \$7.4 million, resulting primarily from the following activity:

- Principal payments on our finance lease agreements and lease financing obligations of \$9.3 million related to hard drives and other infrastructure equipment used in our data center spaces;
- \$0.8 million related to payments on taxes for net share settlements of vested equity awards, resulting in a retirement of related equity awards;
- \$0.6 million related to payments of debt issuance costs;
- \$1.9 million in proceeds from the exercise of employee stock options; and
- \$1.4 million in proceeds from our ESPP.

Cash used in financing activities for the six months ended June 30, 2024 was \$3.4 million, resulting primarily from the following activity:

- Principal payments on our finance lease agreements and lease financing obligations of \$9.7 million related to hard drives and other infrastructure equipment used in our data center spaces;
- \$0.6 million related to repayment of principal on financed insurance premiums;
- \$5.0 million in proceeds from the exercise of employee stock options;
- \$1.4 million in proceeds from our ESPP; and
- \$0.6 million in proceeds from our debt facility.

Critical Accounting Estimates

Our condensed consolidated financial statements and the related notes thereto included in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP. The preparation of condensed 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.

There have been no material changes to our critical accounting estimates as compared to those discussed in the Annual Report.

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 financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

ITEM 3. 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 into. We also earn interest income generated by cash, cash equivalents and marketable securities held at City National Bank and Raymond James. As of June 30, 2025, we had cash and cash equivalents and marketable securities balances of \$32.2 million and \$18.4 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. We 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 position.

Foreign Currency Exchange Rate Risk

Our reporting currency and the functional currency of our wholly owned foreign subsidiaries is the U.S. dollar. Our sales are mostly 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. We do, however, earn revenue, pay expenses, and incur liabilities in countries using currencies other than the U.S. dollar, which primarily includes the British pound, the Canadian dollar, and the Euro. 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 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These rules refer to the controls and other procedures of a company that are designed to ensure that information is recorded, processed, accumulated, summarized, communicated and reported to management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding what is required to be disclosed by a company in the reports that it files under the Exchange Act.

As of June 30, 2025, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of June 30, 2025, our disclosure controls and procedures are effective.

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 Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended June 30, 2025 covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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.

Part II - Other Information

ITEM 1. 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 are likely to have a material adverse effect on our business, financial condition, or operating results. We also generally maintain insurance to cover certain types of litigation claims, subject to policy limits, retentions and deductibles, and other factors. 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 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 Quarterly Report on Form 10-Q, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our condensed consolidated financial statements and the accompanying notes, included elsewhere in this Quarterly Report on Form 10-Q. 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 to 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.
- Although we have previously identified and remediated material weaknesses in our internal controls over financial reporting, we could experience material weaknesses in the future 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 \$16.4 million and \$21.4 million for the six months ended June 30, 2025 and 2024, respectively. Following our 17 plus years of operations, we had an accumulated deficit of \$212.4 million as of June 30, 2025. 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; longer operating histories; larger 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, particularly as we seek to move up-market 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. We have raised prices in the past, including price increases which took effect in the fourth quarter of 2023. While we believe that these price increases resulted in increased revenue without a material negative impact on our business, any future price increases by us, or reductions in prices by our competitors, could have a material adverse effect on our business, including potential loss of customers who do not wish to renew their subscriptions at the higher prices, reduction in the number of new customers, or a decrease in the amount of data that existing (or new) 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 subject to extreme weather events and natural disasters, such as earthquakes, hurricanes and tornados, storms, floods, fires and droughts, which may become more frequent and intense due to climate change. Our facilities and the data centers that we use are also vulnerable to damage or interruption from human error, intentional bad acts, war or other military conflict, including the conflicts between Russia-Ukraine, Israel-Hamas and Israel-Iran-United States, 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. 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. We also periodically refresh the hardware infrastructure underlying our core storage platform to improve performance, scalability, and cost-efficiency. These refresh cycles involve operational complexity and capital investment, and any delays, cost overruns, integration issues, or unforeseen performance challenges could adversely affect service reliability, customer satisfaction, and our financial results. 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 promotional activities may not be successful or yield increased revenue.

The promotion of our brand may require us to make substantial expenditures, particularly as 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 or use 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, lead to the blocking of our services by ISPs or governments, fraudulently steal data, or otherwise cause damage to our reputation and negatively impact us and our customers. 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 and various types of DDoS attacks, 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. 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 customers on a cost-effective basis. Any price increases 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, 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 increased sales and marketing expenses and engineering and operating expenses, including infrastructure expenditures, 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 other benefits as a result of such expenditures. For example, in April 2025 we announced B2 Overdrive, a premium priced high-performance cloud storage solution, which is intended to meet the demands of data-intensive workloads such as AI/ML training, high-performance computing (HPC), large-scale analytics, and media processing. While this expansion opens new market opportunities, it also introduces risks associated with entering a competitive and rapidly evolving sector, including the need for substantial investment in infrastructure, often in advance of corresponding revenue generation, and potential challenges in meeting specialized customer requirements. If we are unable to achieve effective advertising and marketing programs or successfully expand our solution offerings and operations, 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, or if artificial intelligence technologies ("AI") results replace traffic from search engines, 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. We have recently launched various new product features and other changes, including Event Notification and Live Read. We cannot be certain whether such features and other changes will achieve a desired level of market adoption and return on investment. 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, any enhancements, new features or offerings generally require upfront investments before any potential return on investment, and 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. The amount of data stored with us and the storage infrastructure deployed by us has increased significantly. The number of customer requests on our network has also increased rapidly in recent years. Our growth may not be sustainable. In 2023 and 2024, we initiated measures to reduce headcount and took other actions to pursue greater cost efficiency and align strategic initiatives. 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 may 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. It may also 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 center spaces.

We must continue to effectively manage our infrastructure, including capital expenditures to maintain and expand our data center capacity, servers and equipment, and locations. The costs of building out and maintaining our data center spaces, 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 center spaces, servers and other equipment that are more expensive than they otherwise would be as a result of the increased demand and competition in the market for data center capacity. 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 spaces are subject to multi-year leases. If our capacity needs are reduced, or if we decide to close a data center space, 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. To the extent we pursue any expansion of our data center footprint, our infrastructure and maintenance costs will increase. In addition, we will generally incur expenses in advance of receiving any increase in customers, revenue or other benefits. Any expansion outside of the United States will also increase the costs of compliance with local laws and regulations. As a result, we may not be able to recover the cost of those investments, which could materially adversely affect our business and results of operations. We may also be subject to risks and unanticipated increases in energy costs as a result of: regulations intended to regulate carbon emissions and other pollutants, laws requiring enhanced energy efficiency measures, surcharges related to recovering the cost of extreme weather events and natural disasters, geopolitical conflicts, military conflicts, grid modernization charges, as well as other charges. Such increases could adversely affect our business financial conditions and results of operations.

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 new features and additional paid products, such as Event Notifications, Live Read, 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 also face greater peak demands on our infrastructure from customers using our platform that could temporarily impact the quality of our services, strain our resources, increase our operating costs or require additional capital expenditures. For example, we have experienced an increasing number of artificial intelligence technology companies using our platform. The market for artificial intelligence is evolving rapidly and subject to significant changes and demands. As a result, our business may fluctuate more significantly as our customers experience volatility and fluctuating demands as the AI market and our customer's business needs evolve. 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, prolonged contract negotiations 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. In addition, the loss of any larger customers will have a greater impact on our financial results than the loss of smaller customers, which could cause our financial results to fluctuate more significantly from period to period. Moreover, we cannot assure you that our efforts to attract and retain customers 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 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 features 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;
- the amount and timing of sales commissions, particularly with respect to pipeline, that may precede or exceed the actual corresponding revenue we receive;
- outbreaks of war or other hostilities, such as the Russia-Ukraine, Israel-Hamas, and Israel-Iran-United States 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, although we do not have a significant number of customers located in Ukraine and Russia, the Russian-Ukraine conflict has caused oil prices to rise and increased the risk of disruption to the supply chain for oil. The Israel-Hamas conflict also resulted in some similar effects. 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 data center spaces and third-party data center spaces 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. Various personnel actions, including the restructuring and reduction in force we previously announced in November 2024, can also create disruption and result in additional turnover. 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 and expect to adjust our commission structure at least annually. If our 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. We also rely from time to time on hiring employees from foreign countries, which may require immigration requirements. The immigration process can be subject to frequent changes and limitations, and we may experience difficulty in obtaining visas permitting entry for some of our employees that are foreign nationals into the United States, and delays in obtaining visas permitting entry into other key countries, which could negatively impact our ability to strategically locate our personnel. 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, it may become more difficult to maintain culture aligned across the Company. 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.

Our operations and those of our customers, vendors and suppliers outside the United States, are subject to increased business, regulatory and economic risks that could impact our results of operations.

During the six months ended June 30, 2025, we derived approximately 29% of our revenue from customers outside of the United States and have customers in over 175 countries worldwide. In addition to a previously existing data center region based in Amsterdam, the Netherlands, we also opened a new data center region in Toronto, Canada and established a wholly owned subsidiary in Canada in January 2025. We expect to continue to expand our international operations, which may include the establishment of foreign subsidiaries, the opening and expansion of data center spaces, 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, and the increased costs of compliance with local laws and regulations or standards in other countries may further increase the costs and result in delays, and, as a result, we may not be able to recover the cost of these investments, which could materially adversely affect our business and results of operations. 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 upfront and on-going investments 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;
- recouping any upfront investments for new or expanded operations and locations and achieving a reasonable return on a timely basis with respect to any such investments;
- compliance with applicable international laws and regulations, including laws and regulations with respect to privacy, data protection, consumer protection, data sovereignty, 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;
- compliance with immigration laws, both in the United States and the applicable foreign country, which laws and practices are subject to changes and delays;
- 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. We also have numerous international partners and suppliers that could result in a direct or indirect impact on our business based on the international risks described above. If we, or our partners and suppliers, 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 use artificial intelligence technologies internally to increase employee productivity and efficiency, but it also exposes us to additional risks that could harm our business.

We use AI in our internal operations, which exposes us to a variety of operational, legal, reputational, and competitive risks. While AI has the potential to enhance efficiency and innovation, its implementation remains subject to significant limitations and uncertainties. AI models can produce inaccurate, biased, or incomplete outputs that may affect decision-making or generate erroneous results in critical workflows. If we fail to effectively monitor or validate AI-generated outcomes, we may inadvertently introduce bugs, security vulnerabilities, or flawed customer communications, which could harm our product performance or customer trust. Moreover, our use of AI tools often depends on third-party providers, some of which may process sensitive company or customer data. Even when such third parties are contractually obligated to protect and not share such data, we face risks related to data leakage, model training on proprietary information, or noncompliance with evolving privacy laws and regulations. Any unauthorized disclosure or misuse of confidential data due to AI use could result in regulatory penalties, reputational damage, or legal liability. Additionally, the use of generative AI in coding, content creation, and other knowledge work may introduce intellectual property risks, including uncertainty around ownership of AI-generated materials and inadvertent incorporation of third-party proprietary content. As AI regulation develops globally, we may face increased compliance burdens and restrictions on how we deploy AI internally. Our failure to manage these evolving risks could adversely impact our operations and business.

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 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 subject 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 facing 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.

Changes in global trade policies, including the imposition of tariffs and other trade restrictions, may adversely affect our business.

Global trade policies, including tariffs, have experienced, and may continue to experience, rapid and significant changes. While a significant portion of our purchases of material or equipment is purchased from entities located in the United States (or otherwise assembled in the United States), we source some products or components from foreign countries that may be subject to new tariffs. We also rely on various global suppliers, hardware vendors, and data center partners, many of whom procure equipment, components, or materials from regions affected by the changing trade policies. The imposition of tariffs or other trade measures, particularly involving technology-related goods, could increase our direct costs as well as the costs for our partners and vendors, which may be passed on to us through higher service fees, hardware pricing, increased logistical expenses, or result in delays and longer lead times. In addition, our customers may be adversely affected by the global trade changes, which, in turn, could lead to reduced demand for our solutions, delayed purchases, or lower customer or data retention rates. Any efforts to mitigate these risks by diversifying or expanding our supply chain may not achieve the intended benefits. The changes, including potential changes, to global trade policies have also led to uncertainty, and impacted broad segments of the financial markets, including the Russell 2000 Index, which tracks small-cap stocks such as Backblaze. The long-term implications of changing global trade policies remain uncertain and may have unforeseen consequences for our business and stock.

Uncertainty in general 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, Israel-Hamas and Israel-Iran-United States, 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. In addition, political uncertainty and changes to global trade dynamics, including the imposition of tariffs, trade restrictions or retaliatory actions, could have a material adverse impact on our business and results of operations.

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, our financial performance, including compliance with any applicable covenants, 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 facility with Citizens Bank, N.A. 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 one or more commercial banks for our banking needs. While we and the banks we have used to date have not been directly affected by the failures of certain banks in 2023, 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. Our revolving credit facility with Citizens Bank is subject to, among other things, various financial and operating covenants that place limits on our ability to incur indebtedness with Citizens Bank and other financial institutions, and create liens on our property and assets. We cannot guarantee that additional financing will be available to us on commercially reasonable 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 on a timely basis, our ability to continue to support the operation or growth of our business could be significantly impaired and our operating results may be harmed.

Restrictive covenants under our credit facility may constrain our strategic and operational flexibility.

On June 4, 2025, we entered into a senior secured revolving credit agreement with Citizens Bank providing borrowing capacity of up to \$20 million, of which up to \$3 million is available through a letter-of-credit. While we believe the credit facility generally strengthens our overall financial position, the credit agreement imposes various affirmative and negative covenants, including financial covenants requiring us to maintain specified minimum liquidity, minimum consolidated EBITDA, and maximum total leverage ratios, as well as limitations on our ability to incur additional indebtedness, create liens on our assets, make certain investments, and take other corporate actions, including mergers and acquisitions, without prior approval from the lender. As a result, our operating and financial flexibility may be materially restricted by these provisions. If we fail to comply with any covenant or other terms and conditions, the lender may accelerate amounts outstanding under the facility, require mandatory prepayment or repayment, terminate access to additional borrowings, or foreclose on any or all of the Company's assets secured or otherwise pledged as collateral under the credit agreement. These restrictions may limit our ability to respond effectively to changing market or economic conditions, pursue acquisitions, investments, or strategic transactions that we otherwise believe are value enhancing, return capital to stockholders via dividends, share repurchases or other distributions; or make capital expenditures or other internal reinvestments, including investing in product enhancements or scaling key infrastructure. Our ability to comply with these covenants, and to avoid defaults, may be adversely affected by changes in our liquidity position, profitability, working capital, or capital structure that arise due to factors outside of our control, including economic downturns, competitive pressures, or unexpected expense events. A default under the agreement could have a material adverse effect on our financial condition, results of operations, and cash flows.

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 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 expect to remain an emerging growth company until the last day of fiscal year 2026. Investors may find our common stock less attractive due to our election to rely on these exemptions and there may be a less active trading market for our common stock and the market price of our 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.

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

We are and may become subject to legal proceedings, investigations, and claims that arise in the ordinary course of business. For example, we are and 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 are also and 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.

Risks Related to Reliance on 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 establishment and expansion of data center spaces. The risks we face in connection with the establishment and expansion of data center spaces include:

- we may not be able to expand or find new suitable third-party data center locations with sufficient power, or bandwidth, or such expansion options or new data center locations may not be available on commercially reasonable terms;
- we will be required to commit substantial operational and financial resources to establish new data center spaces, and we may not have sufficient customer demand in those markets to support the new data center spaces;
- 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 center spaces, and we may not have built such requirements into our new data center spaces.

We also rely on key components for our platform, including hard drives and semiconductors, which come from limited sources of supply. Any decrease in hard drive availability could negatively impact our operations. Various events, including without limitation, periodic semiconductor industry shortages, a pandemic or fluctuating demands in AI, could impact our ability to source components in a timely and cost-effective manner from third-party suppliers. From time to time, we may also seek to mitigate the impact of potential supply chain disruptions by acquiring additional hard drives and related infrastructure, which can result 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 any additional lease agreements. Current or future supply chain interruptions could be triggered or exacerbated by global political tensions, such as the imposition, or threat of potential imposition, of tariffs or other trade restrictions, hostilities or tensions such as the Russia-Ukraine, Israel-Hamas, Israel-Iran-United States, and China-Taiwan conflicts, particularly if those tensions escalate into an armed conflict or directly or indirectly involve other countries, which may include 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, other restructuring events or bankruptcies. 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 closure or other changes at such vendors and partners that could adversely affect our business. Also, 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. 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. 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, FireHydrant, 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 an emerging growth company, which provides, among other things, reduced disclosure requirements, and any decision on our part to comply only with reduced reporting and disclosure requirements applicable to such companies could make our Common Stock less attractive to investors.

As of June 30, 2024, we continued to qualify as an “emerging growth company,” as defined in the securities law. For as long as we continue to be an emerging growth company, we have taken, and may continue to take, advantage of exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies. These exemptions include, but are not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, reduced certain financial disclosure requirements and exemption from the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act. By taking advantage of some or all of the reduced disclosure requirements available to emerging growth companies, investors may find our common stock less attractive, which may result in a less active trading market for our common stock and greater stock price volatility.

We will remain an emerging growth company until the earlier of December 31, 2026 or (i) as of June 30, 2025, our public float is less than \$700 million; (ii) our total annual gross revenues do not exceed \$1.235 billion or more during a fiscal year, or (iii) we issue less than \$1 billion in non-convertible debt over the past three years.

Risks Related to Accounting and Tax Matters

The failure to maintain effective internal controls over financial reporting could harm our business and negatively impact the value of our common stock.

We have previously identified material weaknesses in our internal controls over financial reporting, which we remediated. However, if we are not able 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 common stock may be materially impacted.

Our independent registered public accounting firm is not required to 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 common stock.

As a public company, we are subject to the reporting requirements of the Exchange Act, 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. We have previously identified material weaknesses in our internal controls over financial reporting, which we subsequently remediated; however, new material weaknesses may be discovered in the future. 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 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, 2024, we had net operating loss carryforwards for U.S. federal income tax purposes of \$123.3 million available to offset future U.S. federal taxable income. Also, as of December 31, 2024, we had net operating loss carryforwards for state income tax purposes of \$95.6 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, 2024. 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 and related matters could materially affect our financial condition, results of operations and 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 U.S. policy implemented by the U.S. Congress, the Trump administration or any new administration have impacted and may in the future impact, among other things, the U.S. and global economy, international trade relations, unemployment, immigration, healthcare, taxation, the U.S. regulatory environment, inflation and other areas. In July 2025, the federal government enacted the One Big Beautiful Bill Act (OBBBA), which permanently extended and modified several provisions of the 2017 Tax Cuts and Jobs Act and introduced significant new tax rules applicable to corporations. Among other things, OBBBA is expected to increase our net operating losses and related valuation allowances. We will continue to evaluate the specific impacts of the OBBBA and further guidance or regulation may be issued by the Internal Revenue Service or the U.S. Department of the Treasury that could impact our business. Although we cannot predict the full impact of these changes to our business, they could affect our business in a variety of ways, including some impacts that may benefit us and other impacts that may adversely affect our business, financial condition, results of operations or cash flows.

International tax laws also undergo frequent change. Changes to tax laws (which changes may have retroactive application) could adversely affect us or holders of our common stock. 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 stockholders' 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. 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.

If our estimates or judgments relating to our critical accounting estimates 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 requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes appearing elsewhere in this Quarterly Report on Form 10-Q and our 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 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 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 currently 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. While we currently have patent applications pending, we may be unable to obtain patent protection for the technology covered in our patent applications, the patent protection may not be obtained quickly enough to meet our business needs, any patents issued in the future may not provide us with competitive advantages or they may be successfully challenged by third parties. Additionally, 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 incorporate “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 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 common stock.

The market price of our 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 common stock, there was no public market for shares of our common stock. Since our IPO, the stock price of our 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 common stock could be subject to wide fluctuations in response to various factors, including those listed in this Quarterly Report on Form 10-Q, some of which are beyond our control and may not be related to our operating performance.

Fluctuations in the price of our 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 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 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.

Our stock and business may be adversely affected by the actions of third parties attempting to manipulate our share price.

We believe our stock and business has been, and may in the future be, subject to short sellers or other third parties who manipulate our share price through false or misleading reports to spark fear and drive down our share price for their personal financial gain at the expense of other stockholders. This technique is also referred to as “short and distort.” These activities are often accompanied by announcements from various fee-chasing law firms trolling for potential plaintiffs and threatening litigation, often without conducting a thorough investigation. Even when there is no merit to the underlying allegations, these campaigns, which may involve social media, anonymous sources, or coordinated trading activity, can materially impact investor sentiment, depress our stock price, harm our reputation and business, and divert management’s attention.

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 common stock could decline significantly.

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

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market, and the perception that these sales could occur may also depress the market price of our 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 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 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 common stock to decline. New investors in such issuances could also receive rights senior to those of holders of shares of our 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 common stock to fall and make it more difficult for you to sell shares of our 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 common stock, the market price of our common stock and trading volume could decline.

The trading market for our 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 common stock or provide more favorable recommendations about our competitors, the market price of our 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 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 common stock in the foreseeable future. Consequently, investors may need to rely on sales of our 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 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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Recent Sales of Unregistered Equity Securities

None.

(b) Use of Proceeds

None.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

On May 5, 2025, prior to any trading under such plan, Gleb Budman, our Chief Executive Officer, terminated a Rule 10b5-1 trading plan previously adopted on March 7, 2025.

Mr. Budman continues to hold a significant equity interest in the Company and remains deeply committed to the Company's long-term success.

ITEM 6. EXHIBITS

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
31.1	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.					X
31.2	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.					X
32.1*	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.					X
32.2*	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.					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

* The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of 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.

Date: August 7, 2025

Backblaze, Inc.

/s/ Gleb Budman

Gleb Budman

Chief Executive Officer and Chairperson

(Principal Executive Officer)

/s/ Marc Suidan

Marc Suidan

Chief Financial Officer

(Principal Financial and Accounting Officer)

**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 Quarterly Report on Form 10-Q 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 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 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(s) 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: August 7, 2025

/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, Marc Suidan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 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 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(s) 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: August 7, 2025

/s/ Marc Suidan
Marc Suidan
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 Quarterly Report on Form 10-Q of Backblaze, Inc. (the “Company”) for the quarter ending June 30, 2025, 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: August 7, 2025

/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 Quarterly Report on Form 10-Q of Backblaze, Inc. (the “Company”) for the quarter ending June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Marc Suidan, 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: August 7, 2025

/s/ Marc Suidan
Marc Suidan
Chief Financial Officer
(Principal Financial and Accounting Officer)