

blackbaud®



Blackbaud Investor Presentation

Ticker: BLKB

November 1, 2023

Forward-looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements in this presentation consist of, among other things, statements regarding future operating results, all of which are based on current expectations, estimates, and forecasts, and the beliefs and assumptions of the Company's management. Words such as "believes," "seeks," "expects," "may," "might," "should," "intends," "could," "would," "likely," "will," "targets," "plans," "anticipates," "aims," "projects," "estimates," or any variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions that are difficult to predict. Accordingly, they should not be viewed as assurances of future performance, and actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations expressed in this presentation include: expectations for continuing to successfully execute the Company's growth and operational improvement strategies; expectations of future growth in the social good software solutions market, segments within that market and the Company's total addressable market; expectations that achieving the Company's goals will extend its competitive advantage and provide improved product quality and innovative solutions for its customers; expectations that centers of excellence and use of best-of-breed platforms will drive increasing operating efficiency and contribute to margin improvement; expectations that the Company's financial position provides flexibility to fuel future growth through acquisitions or other opportunities; expectations that past acquisitions have expanded the Company's customer and market opportunities; risks associated with unfavorable media coverage; risks associated with acquisitions; risks inherent in the expansion of our international operations; risks related to the United Kingdom's departure from the European Union; the possibility of reduced growth or amount of charitable giving; uncertainty regarding increased business and renewals from existing customers; risks associated with implementation of software products; the ability to attract and retain key personnel; risks related to the Company's leverage, credit facility and share repurchase program; lengthy sales and implementation cycles; technological changes that make the Company's products and services less competitive; risk related to the adequacy of our data security procedures and cybersecurity and data protection risks and related liabilities and potential legal proceedings involving us and uncertainty regarding existing legal proceedings and the other risk factors set forth from time to time in the Company's SEC filings. Factors that could cause or contribute to such differences include, but are not limited to, those summarized under Risk Factors in the Company's most recent annual report on Form 10-K, and any quarterly reports on Forms 10-Q thereafter, copies of which are available free of charge at the SEC's website at www.sec.gov or upon request from the Company's investor relations department. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent the Company's beliefs and assumptions only as of the date of this presentation. Except as required by law, the Company does not intend, and undertakes no obligation, to revise or update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

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Historical Financials and Non-GAAP Financial Measures

Use of Non-GAAP Financial Measures: The Company has provided in this presentation financial information that has not been prepared in accordance with GAAP. The Company uses these non-GAAP financial measures internally in analyzing its financial results and believes they are useful to investors, as a supplement to GAAP measures, in evaluating the Company's ongoing operational performance. The Company believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing its financial results from period to period with other companies in the Company's industry, many of which present similar non-GAAP financial measures to investors. These non-GAAP financial measures may not be completely comparable to similarly titled measures of other companies due to potential differences in the exact method of calculation between companies. The Company believes that these non-GAAP financial measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparison and analysis of trends in the Company's business. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliations of these non-GAAP measures to their most directly comparable GAAP financial measures.

Blackbaud discusses non-GAAP organic revenue growth measures, including non-GAAP organic revenue growth, non-GAAP organic revenue growth on a constant currency basis, non-GAAP organic recurring revenue growth, and non-GAAP organic recurring revenue growth on a constant currency basis, which Blackbaud believes provide useful information for evaluating the periodic growth of its business as well as growth on a consistent basis. Each measure of non-GAAP organic revenue growth excludes incremental acquisition-related revenue attributable to companies acquired in the current fiscal year. For companies acquired in the immediately preceding fiscal year, if any, each measure of non-GAAP organic revenue growth reflects presentation of full year incremental non-GAAP revenue derived from such companies as if they were combined throughout the prior period, and it includes the current period non-GAAP revenue attributable to those companies. In addition, each measure of non-GAAP organic revenue growth excludes prior period revenue associated with divested businesses. The exclusion of the prior period revenue is intended to present the results of the divested businesses within the results of the combined company for the same period of time in both the prior and current periods. Blackbaud believes this presentation provides a more comparable representation of our current business' organic revenue growth and revenue run-rate. In these materials, Blackbaud is presenting the following unaudited information: historical recurring and total revenue for the three and nine month periods ended September 30, 2023, for the fiscal year ended December 31, 2022 and the interim periods therein; calculations for recurring revenue growth and total revenue growth for the nine month period ended September 30, 2023 and the interim periods therein; and calculations of non-GAAP organic revenue growth, non-GAAP organic recurring revenue growth, non-GAAP organic revenue growth on a constant currency basis and non-GAAP organic recurring revenue growth on a constant currency basis for the same periods.

Rule of 40 is defined as non-GAAP organic revenue growth plus non-GAAP adjusted EBITDA margin. Non-GAAP adjusted EBITDA is defined as GAAP net income plus interest, net; income tax provision (benefit); depreciation; amortization of intangible assets from business combinations; amortization of software and content development costs; stock-based compensation; acquisition and disposition-related costs; employee severance; restructuring and other real estate activities; costs, net of insurance, related to the previously disclosed security incident discovered in May 2020 (the "Security Incident"); and impairment of capitalized software development costs.

Non-GAAP free cash flow is defined as operating cash flow less capital expenditures, including costs required to be capitalized for software and content development, and capital expenditures for property and equipment. In addition, and in order to provide a meaningful basis for comparison, Blackbaud now uses non-GAAP adjusted free cash flow in analyzing its operating performance. Non-GAAP adjusted free cash flow is defined as operating cash flow less capital expenditures, including costs required to be capitalized for software and content development, capital expenditures for property and equipment, plus cash outflows, net of insurance, related to the Security Incident. Blackbaud believes non-GAAP free cash flow and non-GAAP adjusted free cash flow provide useful measures of the company's operating performance. Non-GAAP adjusted free cash flow is not intended to represent and should not be viewed as the amount of residual cash flow available for discretionary expenditures.

Historical Financial Statements Being Presented: In these materials, Blackbaud is presenting the following unaudited historical financial information: historical consolidated balance sheets as of the fiscal year ended December 31, 2022 and interim consolidated balance sheets for each of the quarters within fiscal 2023 and 2022; historical consolidated statements of comprehensive income for the fiscal year ended December 31, 2022 and interim consolidated statements of comprehensive income for each of the quarters within fiscal 2023 and 2022; historical consolidated statements of cash flows for the fiscal year ended December 31, 2022 and interim consolidated statements of cash flows for each of the interim year-to-date periods within fiscal 2023 and 2022; and historical non-GAAP financial information for the fiscal year ended December 31, 2022 and for each of the quarters within fiscal 2023 and 2022 as well as reconciliations of the non-GAAP measures to their most directly comparable GAAP measures and related non-GAAP adjustments. Blackbaud is providing this unaudited financial information to allow investors and analysts to more easily access and review the Company's historical consolidated financial data by including such information in one document.

Reconciliation of GAAP to Non-GAAP Financial Measures: Reconciliations of the most directly comparable GAAP measures to non-GAAP financial measures and related adjustments, as well as details of Blackbaud's methodology for calculating non-GAAP organic revenue growth, non-GAAP organic revenue growth on a constant currency basis, non-GAAP organic recurring revenue growth, non-GAAP organic recurring revenue growth on a constant currency basis and Rule of 40 can be found in the Appendix to these materials and on the "Investor Relations" page of the Company's website.

Blackbaud has not reconciled forward-looking non-GAAP financial measures contained in this investor material to their most directly comparable GAAP measures. Such reconciliations would require unreasonable efforts at this time to estimate and quantify with a reasonable degree of certainty various necessary GAAP components, including for example those related to compensation, acquisition transactions and integration, tax items or others that may arise. These components and other factors could materially impact the amount of the future directly comparable GAAP measures, which may differ significantly from their non-GAAP counterparts.

Blackbaud At-a-Glance

Leading provider of software for powering social impact

Essential software built to accelerate impact in fundraising, nonprofit financial management, digital giving, grantmaking, corporate social responsibility and education management



Arts and Cultural Organizations



Companies



Faith Communities



Foundations



Healthcare Organizations



Higher Education Institutions



Individual Change Agents



K-12 Schools



Nonprofit

40+

years serving industry with demonstrated track record

\$100B+

donated, granted, and invested through our platforms every year

\$1.1B

annual recurring revenue¹

40,000+

customers under contract²

3,000+

remote employees

Millions

of users and supporters in 100+ countries

¹ Non-GAAP, at mid-point of 2023 financial guidance, rounded to one decimal. Financial goals represent full year targets.

² Customers with contractual billing arrangements in 2022

Q3 highlights - executing on our 5-point plan

Drove strong financial performance through execution of five key operational initiatives across product, bookings, transactional revenue, pricing and cost management

Revenue growth accelerated in the third quarter, delivering organic revenue growth of 6.6% and organic recurring revenue growth of 8.3%

Continued to make strong progress on cost management initiatives, delivering 35.0% adjusted EBITDA margins, up from 25.6% in Q3 2022

Taken together, achieved Rule of 40 in Q3, earlier than previously expected

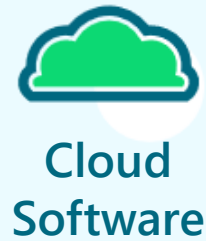
Generated \$118 million of adjusted FCF in the quarter, positioning us to maintain a strong balance sheet and return capital to our shareholders in the form of share repurchases

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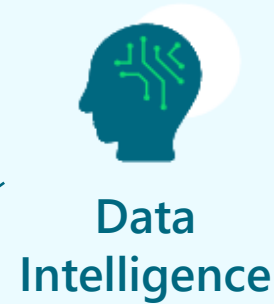
Business overview

Blackbaud is the leading provider of software for powering social impact

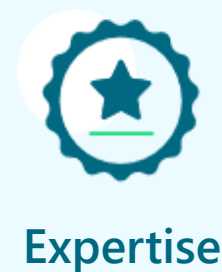
We build, integrate and implement vertical-specific solutions purpose-built for the unique needs of our customers.



We drive impact through dedicated customer support and training, along with strategic and managed services tailored to our customers.



Using exclusive data, analytics and expertise, we deliver unparalleled insight and intelligence to the customers we serve.



With over four decades of experience, we are undisputed industry experts on technology for social good.

Our core competencies expand what is possible for purpose-driven organizations



Fundraising and Engagement

Fundraising
Peer-to-Peer Fundraising
Marketing



Financial Management

Fund Accounting
Financial Aid Management
Tuition Management



Grant and Award Management

Grantmaking
Award Management



Organizational and Program Management

Ticketing
Education Management



Social Responsibility

EVERFI
Grantmaking
Employee Giving and Volunteering



Payment Services

Merchant Services
Payables



Data Intelligence

Data Health
Insights
Performance

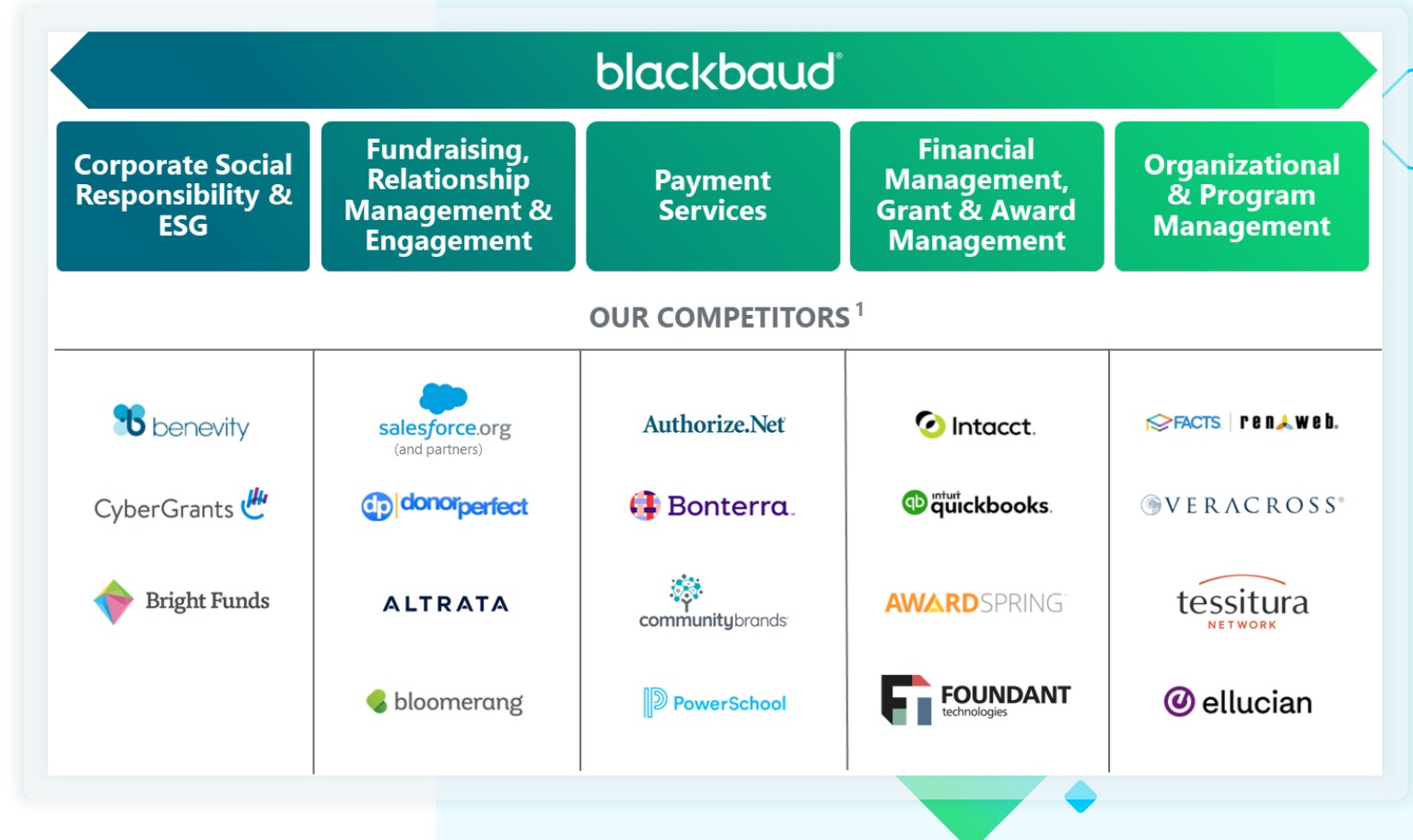


Services

Consulting Services
Implementation and Optimization Services

Most comprehensive solution set that accelerates impact

- Blackbaud is the **leading provider of software** wholly dedicated to powering social impact
- Only Blackbaud offers a full portfolio of **purpose-built, integrated solutions**
- Highly **fragmented competition** offers single-point solutions
- Large customer base with **strong retention**



¹Informed by internal competitive intelligence and analysis

Fueling accelerated impact for our customers

\$4.3B

goal for the Campaign for Carolina exceeded a year early utilizing Blackbaud CRM

300K

meals packed by employees for Rise Against Hunger using YourCause® CSRconnect®

\$400K

raised through a virtual chili cook-off powered by JustGiving® from Blackbaud® Peer-to-Peer Fundraising



200%

boost in fundraising, including a \$1 million gift, powered by Blackbaud Raiser's Edge NXT®

100x

reduction in time setting up tuition account with Blackbaud's suite of education management solutions

350%

Increase in online donations after adoption of Blackbaud Altru and XTruLink, a Blackbaud partner

Sourced from Blackbaud [customer stories](#)



Recognized as a leader in ESG actions and disclosures

ESG Priorities

We're committed to strengthening the impact we make through the way we operate our business, setting high standards, and reporting with transparency on the efforts we are making in priority areas including:

- People and Culture
- Fueling Social Impact
- Driving Climate Solutions
- Governance and Data Responsibility

Awards and Recognition



Disclosures and Frameworks



Public Scoring



Governance	2
Environment	2
Social	1



AA

MSCI ESG RATINGS

CCC	B	BB	BBB	A	AA	AAA
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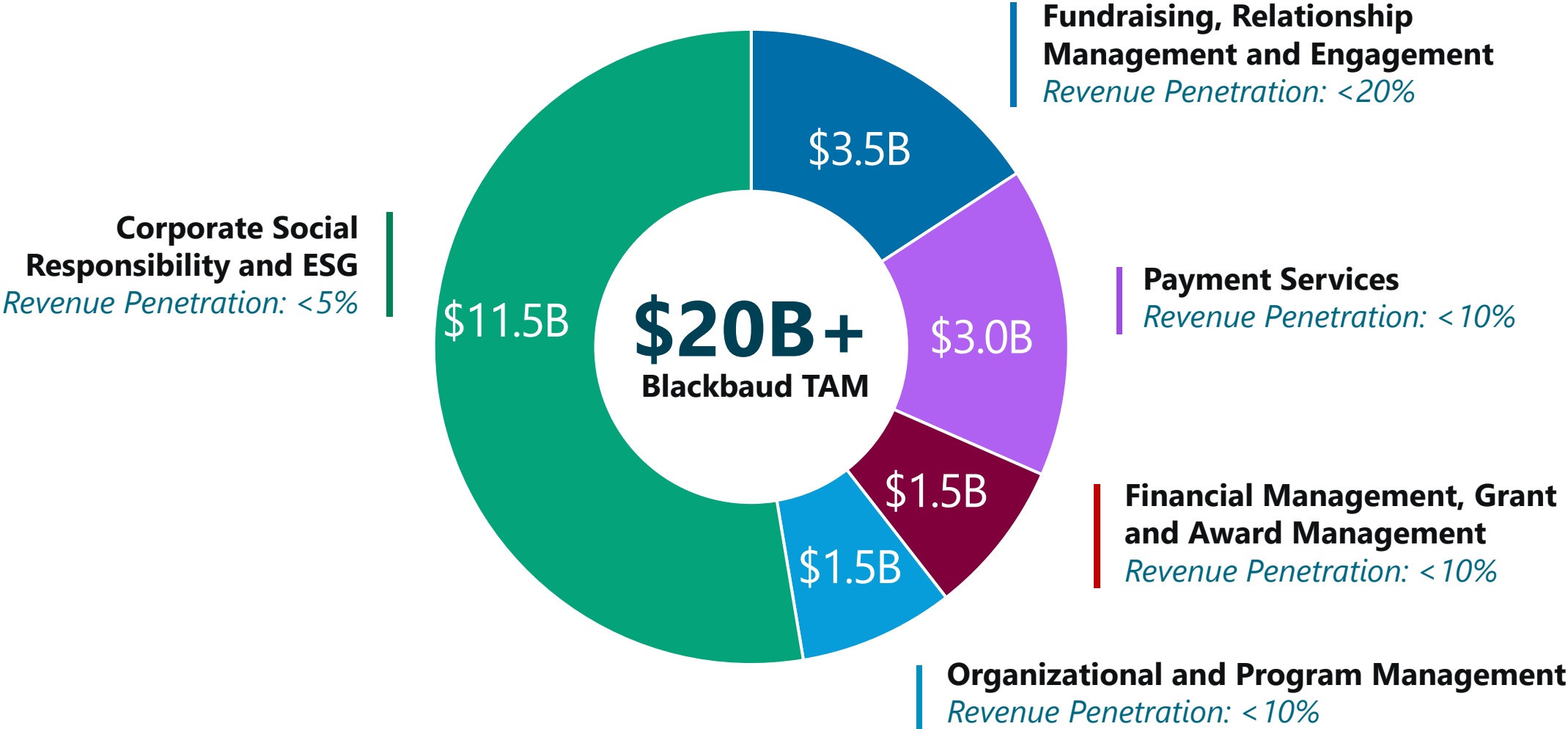
a Morningstar company

Low Risk

Negligible	Low	Medium	High	Severe
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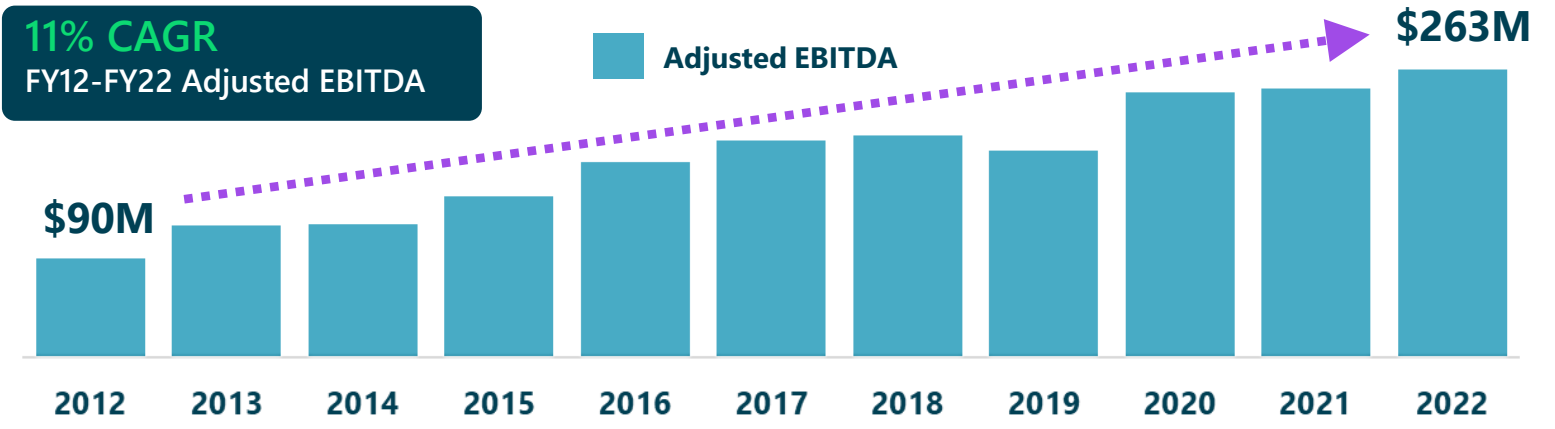
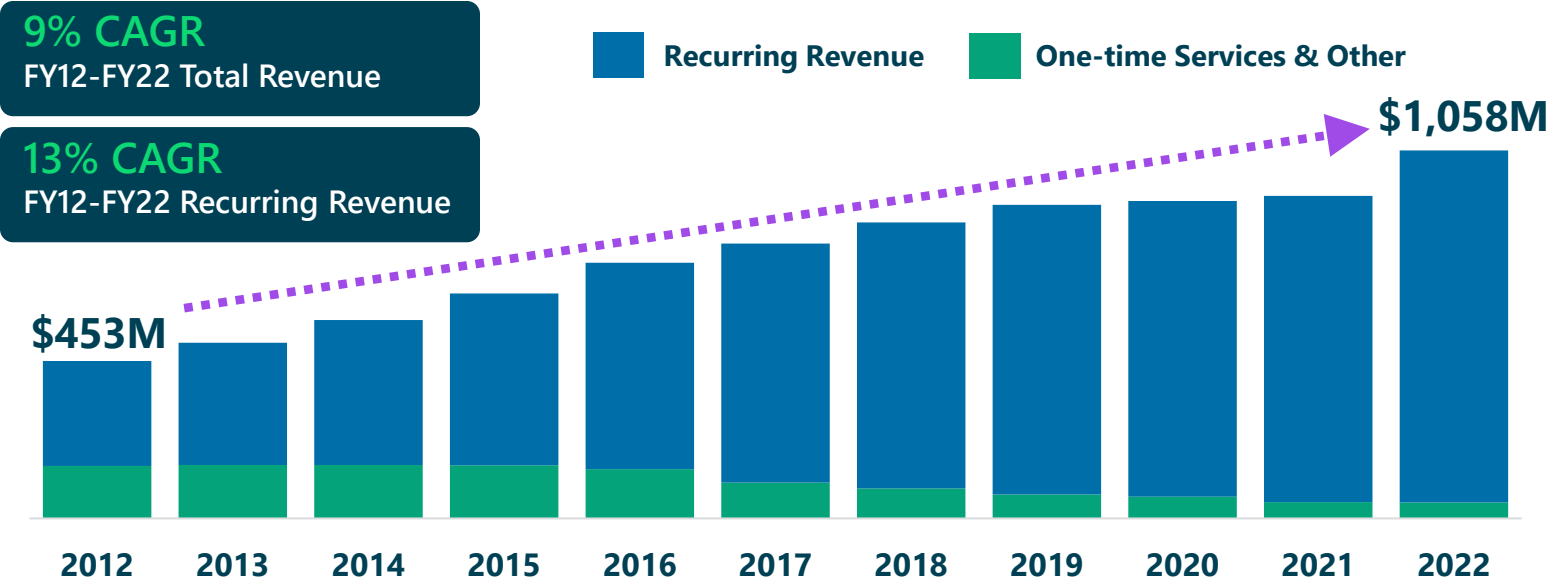


Large and underpenetrated total addressable market




Sources: FY 2022 Blackbaud Revenue. Global Blackbaud TAM based on IRS data, Canadian Revenue Agency, Private School Universe, IPEDS, Dun & Bradstreet, HIMSS, Guidestar, S&P Global database, Small Business & Entrepreneurship Council, Blackbaud internal data

Proven history of double-digit recurring revenue and Adjusted EBITDA growth



- Recurring revenue represented 96% of total revenue in 2022
- Multiple levers to drive meaningful growth going forward underpinned by five point operating plan
- Adjusted EBITDA growth in excess of total revenue growth
- Execution of successful M&A strategy has grown the revenue base and accelerated growth and the shift to the cloud

Non-GAAP Revenue. Beginning with 2016, results reflect adoption of ASC 606. Non-GAAP Adjusted EBITDA as defined on page 3.

The background features several decorative geometric shapes. In the top-left corner, there is a large teal rounded square with a white outline of a diamond inside it. To its right is a smaller purple-to-blue gradient diamond. In the bottom-left, there is a teal rounded square and a purple-to-blue gradient diamond. In the bottom-right, there is a large teal rounded square with a smaller cyan rounded square overlapping its top-left corner, and a white outline of a mountain-like shape below it.

Update on ongoing operational initiatives

Five key initiatives implemented last year showing early signs of success

1

Product
Innovation and
delivery

2

Bookings growth
and acceleration

3

Transactional
revenue
optimization and
expansion

4

Modernized approach
to pricing and multi-
year customer
contracts

5

Keen attention
to cost
management

Adding substantial value for customers through product delivery and innovation

JustGiving™

from Blackbaud

With **new generative AI capabilities**, fundraisers on JustGiving are now able to quickly and easily create personal stories to share with their networks

JustGiving's research shows that pages that include a clear and personal story raise around **65% more** than those that don't

Impact Edge™

A **first-of-its-kind** AI-powered, social impact **reporting and storytelling solution** for corporate social responsibility (CSR) and social impact teams of all sizes

Currently in beta testing, it will leverage responsible generative AI to easily create a compelling picture of an organization's social impact



Good Move™

New development transforms the Good Move activity-tracking mobile app into a **powerful mobile participant center** for Blackbaud TeamRaiser®

Enables a streamlined experience for participants and self-service functionality for social impact customers

Bookings performance demonstrates end market resilience

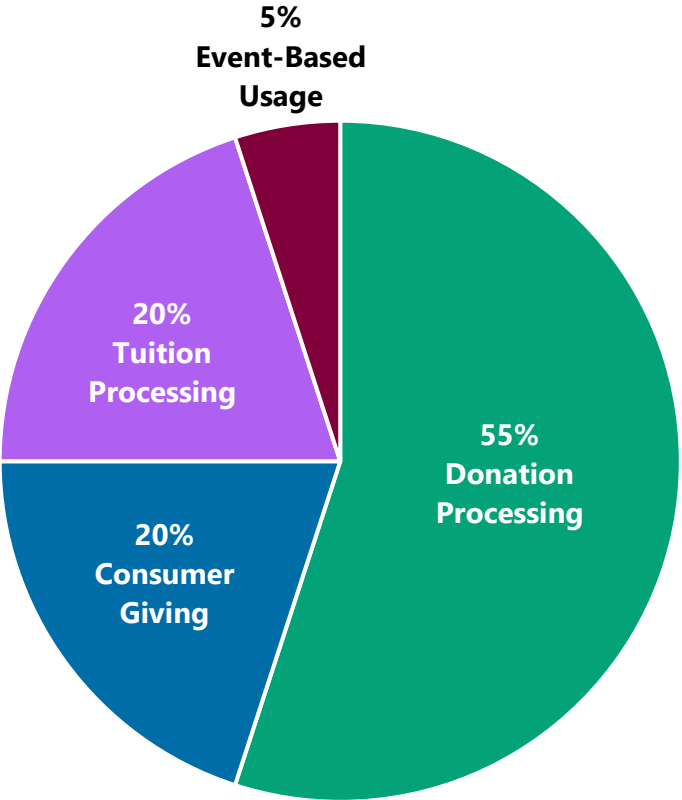


Remain focused on signing new logos as well as upsell and cross-sell opportunities

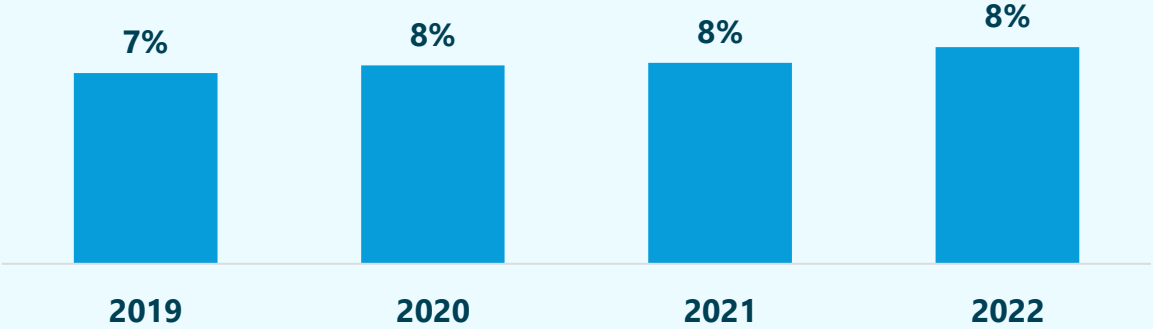


Initiatives across resilient and diverse transactional revenue streams drive continued consistent growth

Transactional recurring revenue streams¹



Transactional recurring revenue growth



- Strong momentum in consumer giving and tuition processing as payments further migrate online
- Rate increase on Blackbaud Merchant Services took effect August 1st. Incremental to January rate change previously disclosed
- Additional payments solutions optimization to drive enhanced donor experience

¹ Based on 2022 transactional revenue



Modernized renewal pricing provides better economics and visibility

PRIOR APPROACH

NEW APPROACH

Renewal Term

Mix of annual and multi-year renewal contracts

Primarily 3-year contract renewal terms

Rate Increase at Renewal

Mid-single digit rate increase upon renewal

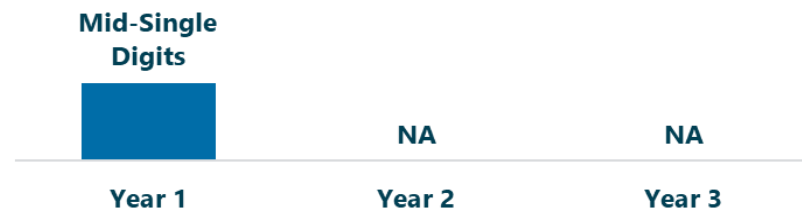
Mid- to high-teens rate increase upon renewal

Embedded Escalator in Multi-Year Contracts

No embedded annual price increase on multi-year contracts

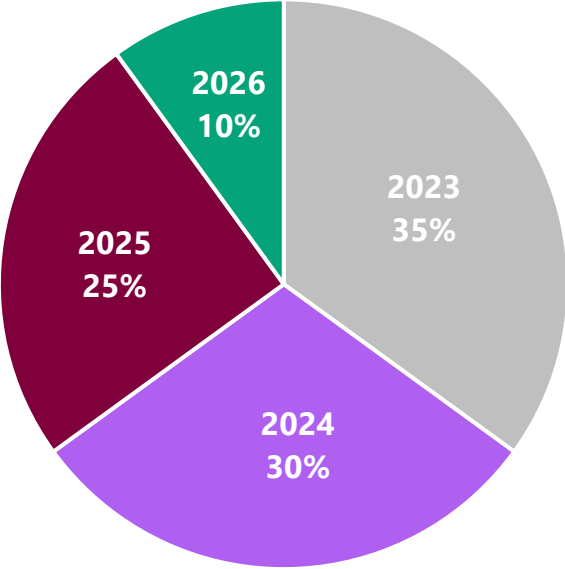
Mid- to high-single digit rate increase embedded in both years 2 & 3

Illustration of Rate Increase on a 3-Year Contract Renewal

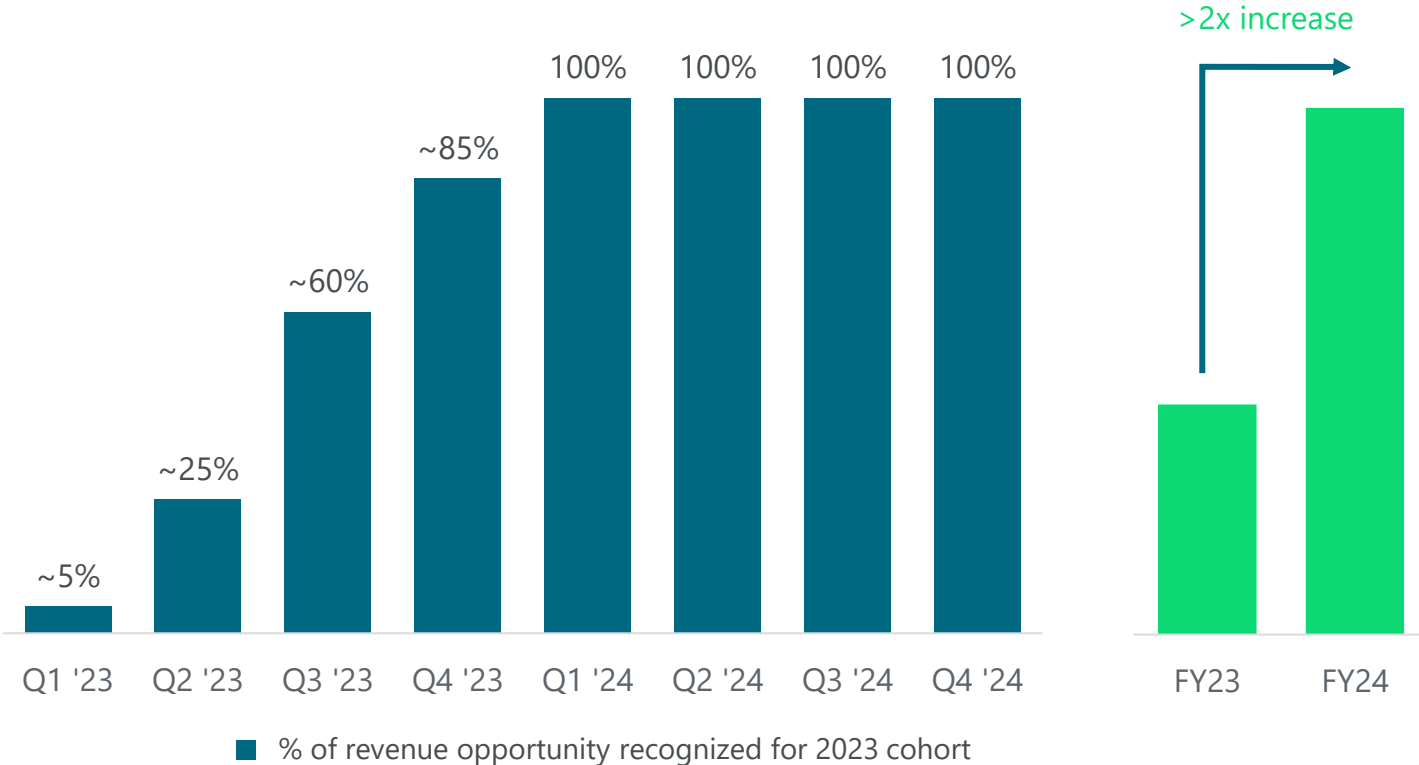


Contract renewal distribution creates sustainable longer-term growth

Mix of contracts eligible for renewal rate increase by renewal year¹



Approximately 90% of 2023 cohort has renewed as of October; Revenue uplift from 2023 cohort more than doubles in 2024



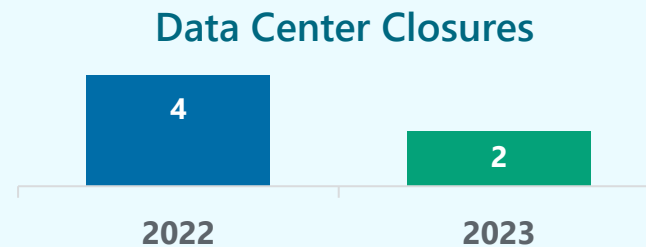
¹ As of end of July 2023, excludes new bookings

Keen attention to cost management will contribute to ongoing margin expansion

Headcount Actions



IT Consolidation



Spend Management

Favorable renegotiation of key vendor contracts, including Azure and AWS

Reduced real estate footprint

Expect EBITDA margins to maintain in low to mid 30s through end of 2023

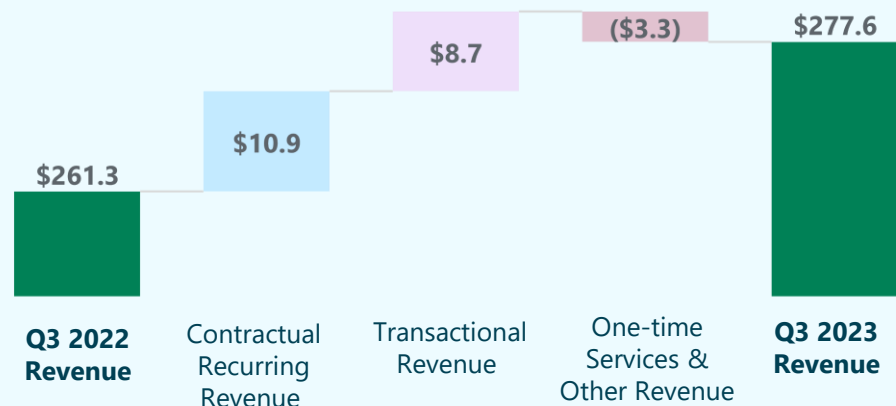
- Realizing benefit of previous cost actions
- Intend to maintain at lower headcount levels post Q4 '22 and Q1 '23 reductions
- Fall-through benefit from renewal rate increases
- Continue to manage cost structure to realize scale from expense base



Financial Outlook

Strong Q3 2023 financial performance

Revenue Year over Year



Contractual recurring revenue

- Contractual recurring revenue growth accelerated in Q3 as we passed seasonal renewal high in June / July and renewal price increases continue to compound

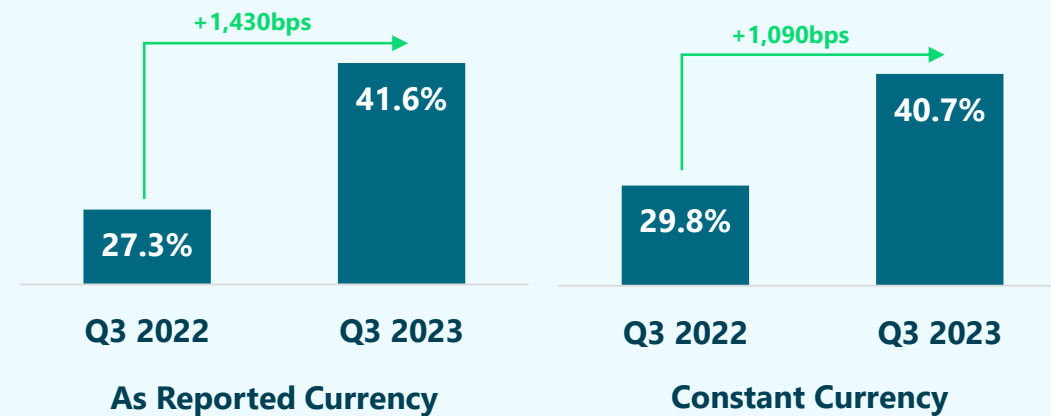
Transactional revenue

- Continued strong performance from Tuition Management and Just Giving in quarter
- BBMS rate change and Hawaii wildfire relief giving bolstered donation processing revenue

One-time services & other revenue

- Approximately 3% of total revenues in quarter, in line with intentional shift in mix toward higher margin recurring revenues
- More than one point of drag on organic revenue growth in the quarter

Rule of 40 Year over Year¹



Rule of 40 Highlights:

- Achieved Rule of 40 in the third quarter 2023
- Significant YoY improvement in Rule of 40 performance driven by revenue growth acceleration and substantial adjusted EBITDA margin expansion
- Targeting 36.5% Rule of 40 at constant currency at the midpoint of 2023 FY financial guidance, which will be a seven and a half-point improvement over 2022

¹ Non-GAAP performance through 9/30/23. Rule of 40 at as reported currency measured by non-GAAP organic revenue growth plus non-GAAP Adjusted EBITDA margin. Rule of 40 at constant currency measured by non-GAAP organic revenue growth on constant currency basis plus non-GAAP Adjusted EBITDA margin shown on constant currency basis. Non-GAAP adjusted EBITDA is defined as GAAP net income plus interest, net; income tax provision (benefit); depreciation; amortization of intangible assets from business combinations; amortization of software and content development costs; stock-based compensation; acquisition and disposition-related costs; employee severance; restructuring and other real estate activities; costs, net of insurance, related to the previously disclosed security incident discovered in May 2020 (the "Security Incident"); and impairment of capitalized software development costs. Please refer to the appendix of this presentation.

2023 total company increased guidance

Expect accelerating financial performance every quarter in 2023

Metric		Mid-Point
Total Revenue	\$1,095M - \$1,125M	\$1,110M
Adjusted EBITDA Margin	30.5% - 31.5%	31.0%
Diluted EPS	\$3.63 - \$3.94	\$3.79
Adjusted Free Cash Flow	\$190M - \$210M	\$200M



Anticipating organic revenue growth rate in the mid-single digits with pricing initiatives across every revenue stream



Near-term focus on pricing execution, operational improvements and cost control driving substantial margin expansion



Targeting ~36.5% Rule of 40 at constant currency at the midpoint of guidance



Strong adjusted free cash flow generation

Non-GAAP. Assumptions included in full year 2023 financial guidance: Non-GAAP annualized effective tax rate of 20%; Interest expense for the year of \$37M - \$41M; Fully diluted shares for the year in the range of 53M - 54M; Capital expenditures for the year in the range of \$65M to \$75M, including approx. \$55M to \$65M of capitalized software and content development costs

In order to provide a meaningful basis for comparison, Blackbaud now uses non-GAAP adjusted free cash flow in analyzing its operating performance. Non-GAAP adjusted free cash flow is defined as operating cash flow less capital expenditures, including costs required to be capitalized for software and content development, capital expenditures for property and equipment, plus cash flow, net of insurance, related to the previously disclosed Security Incident discovered in May 2020 (the "Security Incident"). For full year 2022, Blackbaud currently expects net cash outlays of \$25 million to \$35 million for ongoing legal fees related to the Security Incident. In line with the Company's policy, all associated costs due to third-party service providers and consultants, including legal fees, are expensed as incurred. As of September 30, 2023, we have recorded approximately \$50.0 million in aggregate liabilities for loss contingencies based primarily on negotiations with certain governmental agencies related to the Security Incident that we believed we could reasonably estimate in accordance with our loss contingency procedures. In connection with the settlement of the multi-state Attorneys General investigation, we expect to pay \$49.5 million during the fourth quarter of 2023. Please refer to the section below titled "Non-GAAP Financial Measures" for more information on Blackbaud's use of non-GAAP financial measures.

Expect accelerating growth in both 2023 and 2024

Area	2022 Revenue	2022 Organic revenue growth	2023 Outlook	2024+ Outlook
Contractual recurring	\$709M	2%	Mid-single digit growth	High-single digit growth
Transactional recurring	\$303M	8%	High-single digit to low-double digit growth	Sustainable mid-single digit to high-single digit growth
One-time services	\$46M	(20%)	Similar decline as 2022	Decline slows in FY24; stabilizes thereafter
Total revenue	\$1,058M	3%	\$1,095M - \$1,125M / ~5.5% CC @ midpoint	High-single digit growth

Achieved Rule of 40 in Q3 and on track for sustainable improvement

	2022	2023 (midpoint)	2023 exit rate	2024+	Drivers of sustained Rule of 40 improvement
Organic revenue growth¹	4%	5.5%	High-single digits	High-single digits	<ul style="list-style-type: none"> • Pricing initiatives drive multi-year compounding impact to primarily Social Sector contractual revenue that resets in 2026 • Continued consistent growth in transactional revenue as online giving further proliferates • Significant growth opportunity in Corporate Sector • Gross margin expansion benefit over time from renewal pricing initiatives • Continued productivity gains and cost discipline
Adjusted EBITDA margin¹	25%	31%	Low- to Mid-30s	Mid-30s	
Rule of 40¹	29%	36.5%	40%+	Further Expansion	

¹ Non-GAAP at constant currency

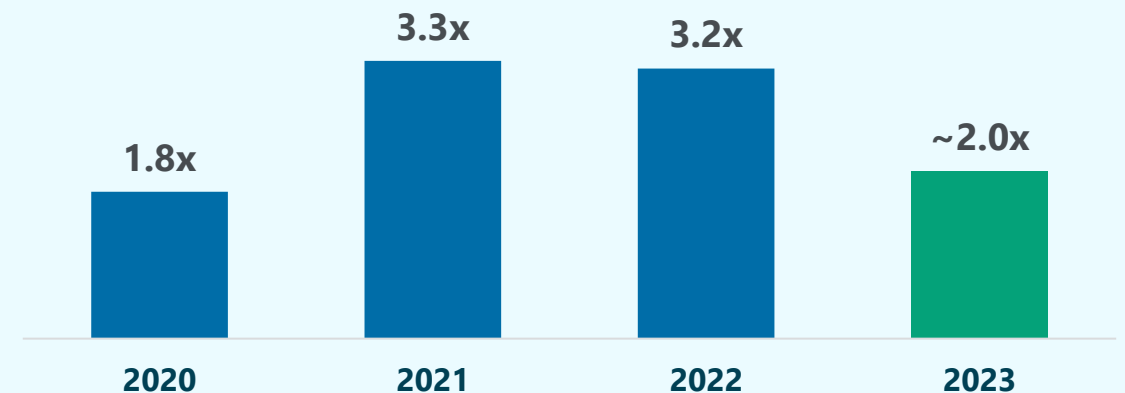
Cash flow generation and capital allocation

- We intend to reduce net leverage to our ~2.0x target in the near-term through both cash flow generation and adjusted EBITDA growth
- We expect to resume share repurchases in Q4 2023 through our existing Board-authorized program while maintaining a strong balance sheet
- Plan to share longer term capital allocation plans in early 2024

Non-GAAP adjusted free cash flow¹



Net leverage²



¹ FY 2023 figure reflects high point of guidance. Non-GAAP adjusted free cash flow is defined as operating cash flow less capital expenditures, including costs required to be capitalized for software and content development, capital expenditures for property and equipment, plus cash outflows, net of insurance, related to the previously disclosed Security Incident discovered in May 2020.

² Calculation of net debt over TTM EBITDA is based on credit agreement in place at the end of the respective reporting period. Current covenant for leverage ratio is less than or equal to 4.0x through Q4 2023.



The background features several decorative geometric shapes. In the top-left corner, there is a large cyan rounded square with a white outline of a diamond inside it. To its right is a smaller purple-to-cyan gradient diamond. In the bottom-left, there is a cyan rounded square and a purple-to-cyan gradient diamond. In the bottom-right, there is a large cyan rounded square with a green rounded square overlapping its top-left corner, and a white outline of a mountain-like shape below it.

Appendix

Historical Reconciliations of GAAP and Non-GAAP Organic Revenue Growth (Unaudited)

(dollars in thousands)	Nine months ended		Three months ended			Year ended	Three months ended			
	09/30/2023	09/30/2022	09/30/2023	06/30/2023	03/31/2023	12/31/2022	12/31/2022	09/30/2022	06/30/2022	03/31/2022
GAAP revenue	\$ 810,421	\$ 783,348	\$ 277,626	\$ 271,042	\$ 261,753	\$ 1,058,105	\$ 274,757	\$ 261,297	\$ 264,927	\$ 257,124
GAAP revenue growth	3.5 %		6.2 %	2.3 %	1.8 %					
Less: Non-GAAP revenue from divested businesses ⁽¹⁾	—	(3,525)	—	—	—	(3,535)	(10)	(912)	(1,304)	(1,309)
Non-GAAP organic revenue ⁽²⁾	\$ 810,421	\$ 779,823	\$ 277,626	\$ 271,042	\$ 261,753	\$ 1,054,570	\$ 274,747	\$ 260,385	\$ 263,623	\$ 255,815
Non-GAAP organic revenue growth	3.9 %		6.6 %	2.8 %	2.3 %					
Non-GAAP organic revenue ⁽²⁾	\$ 810,421	\$ 779,823	\$ 277,626	\$ 271,042	\$ 261,753	1,054,570	\$ 274,747	\$ 260,385	\$ 263,623	\$ 255,815
Foreign currency impact on Non-GAAP organic revenue ⁽³⁾	1,715	—	(1,942)	980	2,677	—	—	—	—	—
Non-GAAP organic revenue on constant currency basis ⁽³⁾	\$ 812,136	\$ 779,823	\$ 275,684	\$ 272,022	\$ 264,430	\$ 1,054,570	\$ 274,747	\$ 260,385	\$ 263,623	\$ 255,815
Non-GAAP organic revenue growth on constant currency basis	4.1 %		5.9 %	3.2 %	3.4 %					
GAAP recurring revenue	784,139	746,560	269,001	262,390	252,748	1,011,733	265,173	249,387	252,507	244,666
GAAP recurring revenue growth	5.0 %		7.9 %	3.9 %	3.3 %					
Less: Non-GAAP recurring revenue from divested businesses ⁽¹⁾	—	(3,438)	—	—	—	(3,439)	(1)	(893)	(1,266)	(1,279)
Non-GAAP organic recurring revenue ⁽²⁾	\$ 784,139	\$ 743,122	\$ 269,001	\$ 262,390	\$ 252,748	\$ 1,008,294	\$ 265,172	\$ 248,494	\$ 251,241	\$ 243,387
Non-GAAP organic recurring revenue growth	5.5 %		8.3 %	4.4 %	3.8 %					
Non-GAAP organic recurring revenue ⁽²⁾	\$ 784,139	\$ 743,122	\$ 269,001	\$ 262,390	\$ 252,748	1,008,294	\$ 265,172	\$ 248,494	\$ 251,241	\$ 243,387
Foreign currency impact on non-GAAP organic recurring revenue ⁽³⁾	1,639	—	(1,749)	916	2,472	—	—	—	—	—
Non-GAAP organic recurring revenue on constant currency basis ⁽³⁾	\$ 785,778	\$ 743,122	\$ 267,252	\$ 263,306	\$ 255,220	\$ 1,008,294	\$ 265,172	\$ 248,494	\$ 251,241	\$ 243,387
Non-GAAP organic recurring revenue growth on constant currency basis	5.7 %		7.5 %	4.8 %	4.9 %					

(1) Non-GAAP revenue from divested businesses excludes revenue associated with divested businesses. The exclusion of the prior period revenue is to present the results of the divested business with the results of the combined company for the same period of time in both the prior and current periods.

(2) Non-GAAP organic revenue and non-GAAP organic recurring revenue for the prior year periods presented herein may not agree to non-GAAP organic revenue presented in the respective prior period quarterly financial information solely due to the manner in which non-GAAP organic revenue growth is calculated.

(3) To determine non-GAAP organic revenue growth and non-GAAP organic recurring revenue growth on a constant currency basis, revenues from entities reporting in foreign currencies were translated to U.S. Dollars using the comparable period's quarterly weighted average foreign currency exchange rates. The primary foreign currencies creating the impact are the Australian Dollar, British Pound, Canadian Dollar and Euro.

Reconciliations of Non-GAAP Organic Revenue Growth and Rule of 40 (Unaudited)

(dollars in thousands)	Three months ended		Nine months ended	
	09/30/2023	09/30/2022	09/30/2023	09/30/2022
GAAP net income	\$ 9,017	\$ (10,319)	\$ (3,579)	\$ (24,148)
Non-GAAP adjustments:				
Add: Interest, net	6,608	8,666	24,893	25,004
Add: GAAP income tax provision (benefit)	9,069	(1,576)	(5,032)	(5,993)
Add: Depreciation	3,293	3,519	9,901	10,642
Add: Amortization of intangibles from business combinations	13,910	12,560	41,719	39,069
Add: Amortization of software and content development costs ⁽¹⁾	11,573	9,795	33,113	28,528
Subtotal	44,453	32,964	104,594	97,250
Non-GAAP EBITDA	\$ 53,470	\$ 22,645	\$ 101,015	\$ 73,102
Non-GAAP EBITDA margin⁽²⁾	19.3 %		12.5 %	
Non-GAAP adjustments:				
Add: Stock-based compensation expense	32,379	27,945	95,668	83,659
Add: Employee severance	140	232	5,094	694
Add: Acquisition and disposition-related costs	7,029	2,456	6,799	5,705
Add: Restructuring and other real estate activities	—	—	—	71
Add: Security Incident-related costs, net of insurance ⁽³⁾	4,086	13,658	48,646	29,207
Add: Impairment of capitalized software development costs	—	—	—	2,263
Subtotal	43,634	44,291	156,207	121,599
Non-GAAP adjusted EBITDA	\$ 97,104	\$ 66,936	\$ 257,222	\$ 194,701
Non-GAAP adjusted EBITDA margin⁽⁴⁾	35.0 %		31.7 %	
Rule of 40⁽⁵⁾	41.6 %		35.6 %	
Non-GAAP adjusted EBITDA	97,104	66,936	257,222	194,701
Foreign currency impact on Non-GAAP adjusted EBITDA ⁽⁶⁾	(1,162)	2,827	709	4,979
Non-GAAP adjusted EBITDA on constant currency basis⁽⁶⁾	\$ 95,942	\$ 69,763	\$ 257,931	\$ 199,680
Non-GAAP adjusted EBITDA margin on constant currency basis	34.8 %		31.8 %	
Rule of 40 on constant currency basis⁽⁷⁾	40.7 %		35.9 %	

(1) Includes amortization expense related to software and content development costs and amortization expense from capitalized cloud computing implementation costs.

(2) Measured by GAAP revenue divided by non-GAAP EBITDA.

(3) Includes Security Incident-related costs incurred, net of probable insurance recoveries. Recorded expenses consisted primarily of payments to third-party service providers and consultants, including legal fees, as well as settlements of customer claims, negotiated settlements and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

(4) Measured by non-GAAP organic revenue divided by non-GAAP adjusted EBITDA.

(5) Measured by non-GAAP organic revenue growth plus non-GAAP adjusted EBITDA margin. See Non-GAAP organic revenue growth table on prior slide.

(6) To determine non-GAAP adjusted EBITDA on a constant currency basis, non-GAAP adjusted EBITDA from entities reporting in foreign currencies were translated to U.S. Dollars using the comparable prior period's quarterly weighted average foreign currency exchange rates. The primary foreign currencies creating the impact are the Australian Dollar, British Pound, Canadian Dollar and Euro.

(7) Measured by non-GAAP organic revenue growth on constant currency basis plus non-GAAP adjusted EBITDA margin on constant currency basis. See Non-GAAP organic revenue growth table on prior slide.

Reconciliation of GAAP to Non-GAAP Consolidated Statements of Operations (Unaudited)

Three Months Ended September 30, 2023

(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Security Incident-related costs, net of insurance ⁽¹⁾	Non-GAAP adjustments subtotal	Non-GAAP
Revenue								
Recurring	\$ 269,001	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 269,001
One-time services and other	8,625	—	—	—	—	—	—	8,625
Total revenue	277,626	—	—	—	—	—	—	277,626
Cost of revenue								
Cost of recurring	114,132	(3,546)	(12,770)	—	—	—	(16,316)	97,816
Cost of one-time services and other	7,634	(599)	(347)	—	—	—	(946)	6,688
Total cost of revenue	121,766	(4,145)	(13,117)	—	—	—	(17,262)	104,504
Gross profit	155,860	4,145	13,117	—	—	—	17,262	173,122
<i>Recurring gross margin</i>	<i>57.6 %</i>						<i>6.0 %</i>	<i>63.6 %</i>
<i>One-time services and other gross margin</i>	<i>11.5 %</i>						<i>11.0 %</i>	<i>22.5 %</i>
Total gross margin	56.1 %						6.3 %	62.4 %
Operating expenses								
Sales, marketing and customer success	52,462	(5,795)	—	(88)	—	—	(5,883)	46,579
Research and development	37,965	(7,823)	—	—	—	—	(7,823)	30,142
General and administrative	42,596	(14,616)	—	(52)	(7,029)	(4,086)	(25,783)	16,813
Amortization	793	—	(793)	—	—	—	(793)	—
Total operating expenses	133,816	(28,234)	(793)	(140)	(7,029)	(4,086)	(40,282)	93,534
Income from operations	22,044	32,379	13,910	140	7,029	4,086	57,544	79,588
Total operating margin	7.9 %						20.8 %	28.7 %
Net Income	\$ 9,017							\$ 60,504
Shares used in computing diluted earnings per share	54,090							54,090
Diluted earnings per share	\$ 0.17							\$ 1.12

(1) Includes Security Incident-related costs incurred, net of insurance recoveries. Recorded expenses consisted primarily of payments to third-party service providers and consultants, including legal fees, as well as settlements of customer claims, negotiated settlements and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

Reconciliation of GAAP to Non-GAAP Consolidated Statements of Operations (Unaudited)

Nine Months Ended September 30, 2023									
(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Security Incident-related costs, net of insurance ⁽¹⁾	Non-GAAP adjustments subtotal	Non-GAAP	
Revenue									
Recurring	\$ 784,139	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	784,139
One-time services and other	26,282	—	—	—	—	—	—	—	26,282
Total revenue	810,421	—	—	—	—	—	—	—	810,421
Cost of revenue									
Cost of recurring	342,558	(10,292)	(38,326)	(433)	—	—	(49,051)	293,507	
Cost of one-time services and other	23,795	(1,950)	(1,038)	(364)	—	—	(3,352)	20,443	
Total cost of revenue	366,353	(12,242)	(39,364)	(797)	—	—	(52,403)	313,950	
Gross profit	444,068	12,242	39,364	797	—	—	52,403	496,471	
<i>Recurring gross margin</i>	<i>56.3 %</i>						<i>6.3 %</i>	<i>62.6 %</i>	
<i>One-time services and other gross margin</i>	<i>9.5 %</i>						<i>12.7 %</i>	<i>22.2 %</i>	
Total Gross Margin	54.8 %						6.5 %	61.3 %	
Operating expenses									
Sales, marketing and customer success	160,038	(18,503)	—	(2,177)	—	—	(20,680)	139,358	
Research and development	114,702	(22,730)	—	(1,135)	—	—	(23,865)	90,837	
General and administrative	154,582	(42,193)	—	(985)	(6,799)	(48,646)	(98,623)	55,959	
Amortization	2,355	—	(2,355)	—	—	—	(2,355)	—	
Total operating expenses	431,677	(83,426)	(2,355)	(4,297)	(6,799)	(48,646)	(145,523)	286,154	
Income from operations	12,391	95,668	41,719	5,094	6,799	48,646	197,926	210,317	
Total Operating Margin	1.5 %						24.5 %	26.0 %	
Net (loss) income	\$ (3,579)							\$ 151,452	
Shares used in computing diluted (loss) earnings per share	52,496							53,470	
Diluted (loss) earnings per share	\$ (0.07)							\$ 2.83	

(1) Includes Security Incident-related costs incurred, net of probable insurance recoveries. Recorded expenses consisted primarily of payments to third-party service providers and consultants, including legal fees, as well as settlements of customer claims, negotiated settlements and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

Reconciliation of GAAP to Non-GAAP Consolidated Statements of Operations (Unaudited)

Three Months Ended September 30, 2022

(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Security Incident-related costs, net of insurance ⁽¹⁾	Non-GAAP adjustments subtotal	Non-GAAP
Revenue								
Recurring	\$ 249,387	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 249,387
One-time services and other	11,910	—	—	—	—	—	—	11,910
Total revenue	261,297	—	—	—	—	—	—	261,297
Cost of revenue								
Cost of recurring	111,488	(2,728)	(11,570)	—	—	—	(14,298)	97,190
Cost of one-time services and other	9,449	(686)	(343)	33	—	—	(996)	8,453
Total cost of revenue	120,937	(3,414)	(11,913)	33	—	—	(15,294)	105,643
Gross profit	140,360	3,414	11,913	(33)	—	—	15,294	155,654
<i>Recurring gross margin</i>	55.3 %						5.7 %	61.0 %
<i>One-time services and other gross margin</i>	20.7 %						8.3 %	29.0 %
Total gross margin	53.7 %						5.9 %	59.6 %
Operating expenses								
Sales, marketing and customer success	56,414	(5,644)	—	—	—	—	(5,644)	50,770
Research and development	40,451	(6,061)	—	—	—	—	(6,061)	34,390
General and administrative	49,860	(12,826)	—	(265)	(2,456)	(13,658)	(29,205)	20,655
Amortization	647	—	(647)	—	—	—	(647)	—
Total operating expenses	147,372	(24,531)	(647)	(265)	(2,456)	(13,658)	(41,557)	105,815
Income from operations	(7,012)	27,945	12,560	232	2,456	13,658	56,851	49,839
Total Operating Margin	(2.7)%						21.8 %	19.1 %
Net (loss) income	\$ (10,319)							\$ 35,965
Shares used in computing diluted (loss) earnings per share	51,692							52,363
Diluted (loss) earnings per share	\$ (0.20)							\$ 0.69

(1) Includes Security Incident-related costs incurred, net of probable insurance recoveries. Recorded expenses consisted primarily of payments to third-party service providers and consultants, including legal fees, as well as settlements of customer claims, negotiated settlements and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

Reconciliation of GAAP to Non-GAAP Consolidated Statements of Operations (Unaudited)

Nine Months Ended September 30, 2022												
(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Restructuring and other real estate activities	Security Incident-related costs, net of insurance ⁽¹⁾	Impairment of capitalized software development costs	Non-GAAP adjustments subtotal	Non-GAAP		
Revenue												
Recurring	\$ 746,560	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 746,560	
One-time services and other	36,788	—	—	—	—	—	—	—	—	—	36,788	
Total revenue	783,348	—	—	—	—	—	—	—	—	—	783,348	
Cost of revenue												
Cost of recurring	338,149	(8,734)	(35,759)	(50)	—	—	—	—	(44,543)	—	293,606	
Cost of one-time services and other	31,757	(2,593)	(1,047)	(298)	—	—	—	—	(3,938)	—	27,819	
Total cost of revenue	369,906	(11,327)	(36,806)	(348)	—	—	—	—	(48,481)	—	321,425	
Gross profit	413,442	11,327	36,806	348	—	—	—	—	48,481	—	461,923	
<i>Recurring gross margin</i>	<i>54.7 %</i>										<i>60.7 %</i>	
<i>One-time services and other gross margin</i>	<i>13.7 %</i>										<i>24.4 %</i>	
Total Gross Margin	52.8 %								6.2 %		59.0 %	
Operating expenses												
Sales, marketing and customer success	164,367	(15,948)	—	—	—	—	—	—	(15,948)	—	148,419	
Research and development	118,736	(18,178)	—	—	—	—	—	—	(18,178)	—	100,558	
General and administrative	141,013	(38,206)	—	(346)	(5,705)	(71)	(29,207)	(2,263)	(75,798)	—	65,215	
Amortization	2,263	—	(2,263)	—	—	—	—	—	(2,263)	—	—	
Total operating expenses	426,379	(72,332)	(2,263)	(346)	(5,705)	(71)	(29,207)	(2,263)	(112,187)	—	314,192	
Income from operations	(12,937)	83,659	39,069	694	5,705	71	29,207	2,263	160,668	—	147,731	
Total Operating Margin	(1.7)%								20.6 %		18.9 %	
Net (loss) income	\$ (24,148)										\$ 104,422	
Shares used in computing diluted (loss) earnings per share	51,519										51,985	
Diluted (loss) earnings per share	\$ (0.47)										\$ 2.01	

(1) Includes Security Incident-related costs incurred, net of probable insurance recoveries. Recorded expenses consisted primarily of payments to third-party service providers and consultants, including legal fees, as well as settlements of customer claims, negotiated settlements and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

Historical Consolidated Balance Sheets (Unaudited)

(in thousands)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Assets							
Current assets:							
Cash and cash equivalents	\$ 33,786	\$ 29,029	\$ 31,413	\$ 31,691	\$ 24,083	\$ 29,041	\$ 31,091
Restricted cash	279,594	449,491	343,928	702,240	364,071	761,289	359,596
Accounts receivable, net of allowance	91,770	149,237	86,704	102,809	100,253	168,908	102,755
Customer funds receivable	2,049	1,194	1,853	249	2,136	3,731	3,557
Prepaid expenses and other current assets	99,913	98,041	83,639	81,654	88,779	81,597	82,407
Total current assets	507,112	726,992	547,537	918,643	579,322	1,044,566	579,406
Property and equipment, net	112,675	111,865	109,474	107,426	105,309	104,672	100,575
Operating lease right-of-use assets	51,808	50,036	47,430	45,899	47,176	45,497	38,374
Software and content development costs, net	126,766	130,329	135,594	141,023	145,705	151,158	155,937
Goodwill	1,056,794	1,051,230	1,047,178	1,050,272	1,051,652	1,053,342	1,051,163
Intangible assets, net	683,348	664,400	643,994	635,136	622,237	609,524	594,169
Other assets	90,194	90,670	95,376	94,304	87,947	84,254	83,654
Total assets	\$ 2,628,697	\$ 2,825,522	\$ 2,626,583	\$ 2,992,703	\$ 2,639,348	\$ 3,093,013	\$ 2,603,278
Liabilities and stockholders' equity							
Current liabilities:							
Trade accounts payable	\$ 39,490	\$ 36,640	\$ 36,374	\$ 42,559	\$ 46,528	\$ 40,730	\$ 39,357
Accrued expenses and other current liabilities	72,195	77,411	78,471	86,002	72,799	102,747	101,379
Due to customers	278,179	449,402	344,305	700,860	364,397	763,845	361,837
Debt, current portion	18,116	18,154	18,193	18,802	19,136	19,176	19,217
Deferred revenue, current portion	350,952	412,712	393,679	382,419	361,003	434,631	415,810
Total current liabilities	758,932	994,319	871,022	1,230,642	863,863	1,361,129	937,600
Debt, net of current portion	963,109	921,619	835,881	840,241	858,912	827,403	723,376
Deferred tax liability	144,590	135,393	131,773	125,759	131,460	91,306	94,322
Deferred revenue, net of current portion	4,725	3,547	2,920	2,817	6,956	3,520	3,022
Operating lease liabilities, net of current portion	50,785	48,542	46,400	44,918	45,190	43,529	41,811
Other liabilities	1,506	1,628	5,775	4,294	13,234	4,756	2,976
Total liabilities	1,923,647	2,105,048	1,893,771	2,248,671	1,919,615	2,331,643	1,803,107
Commitments and contingencies							
Stockholders' equity:							
Preferred stock	—	—	—	—	—	—	—
Common stock, \$0.001 par value	68	68	68	68	69	69	69
Additional paid-in capital	993,223	1,020,835	1,048,688	1,075,264	1,105,189	1,138,553	1,170,919
Treasury stock, at cost	(535,585)	(536,511)	(536,968)	(537,287)	(568,277)	(570,547)	(572,428)
Accumulated other comprehensive income	15,295	7,455	2,716	8,938	404	8,842	8,141
Retained earnings	232,049	228,627	218,308	197,049	182,348	184,453	193,470
Total stockholders' equity	705,050	720,474	732,812	744,032	719,733	761,370	800,171
Total liabilities and stockholders' equity	\$ 2,628,697	\$ 2,825,522	\$ 2,626,583	\$ 2,992,703	\$ 2,639,348	\$ 3,093,013	\$ 2,603,278



Historical Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands, except share and per share amounts)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023	Q3 2023
Revenue								
Recurring	\$ 244,666	\$ 252,507	\$ 249,387	\$ 265,173	\$ 1,011,733	\$ 252,748	\$ 262,390	\$ 269,001
One-time services and other	12,458	12,420	11,910	9,584	46,372	9,005	8,652	8,625
Total revenue	257,124	264,927	261,297	274,757	1,058,105	261,753	271,042	277,626
Cost of revenue								
Cost of recurring	112,174	114,487	111,488	125,300	463,449	114,500	113,926	114,132
Cost of one-time services and other	11,188	11,120	9,449	10,183	41,940	8,612	7,549	7,634
Total cost of revenue	123,362	125,607	120,937	135,483	505,389	123,112	121,475	121,766
Gross profit	133,762	139,320	140,360	139,274	552,716	138,641	149,567	155,860
Operating expenses								
Sales, marketing and customer success	55,216	52,737	56,414	57,088	221,455	54,385	53,191	52,462
Research and development	39,952	38,333	40,451	38,177	156,913	40,591	36,146	37,965
General and administrative	43,762	47,391	49,860	58,895	199,908	52,838	59,148	42,596
Amortization	811	805	647	662	2,925	774	788	793
Total operating expenses	139,741	139,266	147,372	154,822	581,201	148,588	149,273	133,816
(Loss) income from operations	(5,979)	54	(7,012)	(15,548)	(28,485)	(9,947)	294	22,044
Interest expense	(7,599)	(8,976)	(9,337)	(9,891)	(35,803)	(10,662)	(11,167)	(9,620)
Other income, net	1,121	3,133	4,454	5	8,713	2,007	2,778	5,662
(Loss) income before (benefit) provision for income taxes	(12,457)	(5,789)	(11,895)	(25,434)	(55,575)	(18,602)	(8,095)	18,086
Income tax (benefit) provision	(2,050)	(2,367)	(1,576)	(4,175)	(10,168)	(3,901)	(10,200)	9,069
Net (loss) income	\$ (10,407)	\$ (3,422)	\$ (10,319)	\$ (21,259)	\$ (45,407)	\$ (14,701)	\$ 2,105	\$ 9,017
(Loss) earnings per share								
Basic	\$ (0.20)	\$ (0.07)	\$ (0.20)	\$ (0.41)	\$ (0.88)	\$ (0.28)	\$ 0.04	\$ 0.17
Diluted	\$ (0.20)	\$ (0.07)	\$ (0.20)	\$ (0.41)	\$ (0.88)	\$ (0.28)	\$ 0.04	\$ 0.17
Common shares and equivalents outstanding								
Basic weighted average shares	51,199,717	51,660,739	51,692,152	51,716,948	51,569,148	52,132,999	52,642,411	52,704,974
Diluted weighted average shares	51,199,717	51,660,739	51,692,152	51,716,948	51,569,148	52,132,999	53,643,124	54,089,897
Other comprehensive (loss) income								
Foreign currency translation adjustment	(2,132)	(10,398)	(11,536)	7,906	(16,160)	2,158	3,055	(4,794)
Unrealized gain (loss) on derivative instruments, net of tax	10,905	2,558	6,797	(1,684)	18,576	(10,692)	5,383	4,093
Total other comprehensive income (loss)	8,773	(7,840)	(4,739)	6,222	2,416	(8,534)	8,438	(701)
Comprehensive (loss) income	\$ (1,634)	\$ (11,262)	\$ (15,058)	\$ (15,037)	\$ (42,991)	\$ (23,235)	\$ 10,543	\$ 8,316

Note 1: The individual amounts for each quarter may not sum to full year totals due to rounding.

Historical Consolidated Statements of Cash Flows (Unaudited)

(in thousands)	3 months ended 3/31/2022	6 months ended 6/30/2022	9 months ended 9/30/2022	12 months ended 12/31/2022	3 months ended 3/31/2023	6 months ended 6/30/2023	9 months ended 9/30/2023
Cash flows from operating activities							
Net loss	\$ (10,407)	\$ (13,829)	\$ (24,148)	\$ (45,407)	\$ (14,701)	\$ (12,596)	\$ (3,579)
Adjustments to reconcile net loss to net cash provided by operating activities:							
Depreciation and amortization	25,545	51,283	76,606	102,369	27,272	53,622	81,627
Provision for credit losses and sales returns	1,875	3,653	4,374	6,066	1,522	3,798	4,815
Stock-based compensation expense	27,860	55,714	83,659	110,294	29,925	63,289	95,668
Deferred taxes	(7,431)	(16,656)	(21,672)	(26,644)	9,245	(33,101)	(31,163)
Amortization of deferred financing costs and discount	645	1,254	1,827	2,364	500	963	1,388
Other non-cash adjustments	(150)	4,225	5,677	5,676	(215)	(1,569)	5,106
Changes in operating assets and liabilities, net of acquisition and disposal of businesses:							
Accounts receivable	9,010	(50,818)	9,998	(7,340)	1,139	(69,624)	(4,757)
Prepaid expenses and other assets	(2,067)	3,685	22,246	26,235	(2,750)	9,470	14,488
Trade accounts payable	15,919	12,769	14,435	21,607	3,362	(3,431)	(3,362)
Accrued expenses and other liabilities	(13,430)	(8,739)	(7,028)	(2,386)	(15,931)	11,948	9,073
Deferred revenue	(22,865)	39,238	23,832	11,059	(17,562)	52,233	33,679
Net cash provided by operating activities	24,504	81,779	189,806	203,893	21,806	75,002	202,983
Cash flows from investing activities							
Purchase of property and equipment	(4,266)	(7,518)	(10,512)	(12,289)	(1,364)	(2,779)	(4,243)
Capitalized software and content development costs	(12,683)	(27,183)	(42,757)	(58,774)	(13,967)	(28,756)	(44,664)
Purchase of net assets of acquired companies, net of cash and restricted cash acquired	(19,985)	(19,016)	(20,945)	(20,912)	—	—	(13)
Cash received in sale of business	—	—	6,426	6,426	—	—	—
Other investing activities	—	—	—	—	—	—	(250)
Net cash used in investing activities	(36,934)	(53,717)	(67,788)	(85,549)	(15,331)	(31,535)	(49,170)
Cash flows from financing activities							
Proceeds from issuance of debt	59,400	113,200	126,900	211,000	92,600	158,000	175,800
Payments on debt	(33,765)	(129,548)	(229,442)	(310,740)	(75,403)	(171,824)	(293,957)
Stock issuance costs	—	(557)	(1,205)	(1,339)	—	—	—
Employee taxes paid for withheld shares upon equity award settlement	(34,674)	(35,600)	(36,057)	(36,376)	(31,417)	(33,687)	(35,568)
Change in due to customers	(315,294)	(141,001)	(243,109)	111,386	(337,159)	61,313	(339,735)
Change in customer funds receivable	(1,115)	(546)	(1,291)	380	(1,859)	(3,359)	(3,286)
Net cash (used in) provided by financing activities	(325,448)	(194,052)	(384,204)	(25,689)	(353,238)	10,443	(496,746)
Effect of exchange rate on cash, cash equivalents, and restricted cash	(504)	(7,252)	(14,235)	(10,486)	986	2,489	(311)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(338,382)	(173,242)	(276,421)	82,169	(345,777)	56,399	(343,244)
Cash, cash equivalents, and restricted cash, beginning of period	651,762	651,762	651,762	651,762	733,931	733,931	733,931
Cash, cash equivalents, and restricted cash, end of period	\$ 313,380	\$ 478,520	\$ 375,341	\$ 733,931	\$ 388,154	\$ 790,330	\$ 390,687

Note 1: The individual amounts for each quarter may not sum to full year totals due to rounding.

Historical Reconciliations of GAAP to Non-GAAP Financial Measures (Unaudited)

(in thousands, except share and per share amounts)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022 ⁽¹⁾	Q1 2023	Q2 2023	Q3 2023
GAAP Revenue	\$ 257,124	\$ 264,927	\$ 261,297	\$ 274,757	\$ 1,058,105	\$ 261,753	\$ 271,042	\$ 277,626
GAAP gross profit	\$ 133,762	\$ 139,320	\$ 140,360	\$ 139,274	\$ 552,716	\$ 138,641	\$ 149,567	\$ 155,860
GAAP gross margin	52.0 %	52.6 %	53.7 %	50.7 %	52.2 %	53.0 %	55.2 %	56.1 %
Non-GAAP adjustments:								
Add: Stock-based compensation expense	4,149	3,764	3,414	3,109	14,436	3,954	4,143	4,145
Add: Amortization of intangibles from business combinations	12,489	12,404	11,913	11,686	48,492	13,111	13,136	13,117
Add: Employee severance	—	381	(33)	1,787	2,135	743	54	—
Subtotal	16,638	16,549	15,294	16,582	65,063	17,808	17,333	17,262
Non-GAAP gross profit	\$ 150,400	\$ 155,869	\$ 155,654	\$ 155,856	\$ 617,779	\$ 156,449	\$ 166,900	\$ 173,122
Non-GAAP gross margin	58.5 %	58.8 %	59.6 %	56.7 %	58.4 %	59.8 %	61.6 %	62.4 %
GAAP (loss) income from operations	\$ (5,979)	\$ 54	\$ (7,012)	\$ (15,548)	\$ (28,485)	\$ (9,947)	\$ 294	\$ 22,044
GAAP operating margin	(2.3)%	— %	(2.7)%	(5.7)%	(2.7)%	(3.8)%	0.1 %	7.9 %
Non-GAAP adjustments:								
Add: Stock-based compensation expense	27,860	27,854	27,945	26,635	110,294	29,925	33,364	32,379
Add: Amortization of intangibles from business combinations	13,300	13,209	12,560	12,348	51,417	13,885	13,924	13,910
Add: Employee severance	—	462	232	4,470	5,164	4,322	632	140
Add: Acquisition and disposition-related costs	957	2,292	2,456	430	6,135	619	(849)	7,029
Add: Restructuring and other real estate activities	71	—	—	—	71	—	—	—
Add: Security Incident-related costs, net of insurance	7,201	8,348	13,658	26,516	55,723	17,783	26,777	4,086
Add: Impairment of capitalized software development costs	—	2,263	—	—	2,263	—	—	—
Subtotal	49,389	54,428	56,851	70,399	231,067	66,534	73,848	57,544
Non-GAAP income from operations	\$ 43,410	\$ 54,482	\$ 49,839	\$ 54,851	\$ 202,582	\$ 56,587	\$ 74,142	\$ 79,588
Non-GAAP operating margin	16.9 %	20.6 %	19.1 %	20.0 %	19.1 %	21.6 %	27.4 %	28.7 %
GAAP (loss) income before (benefit) provision for income taxes	\$ (12,457)	\$ (5,789)	\$ (11,895)	\$ (25,434)	\$ (55,575)	\$ (18,602)	\$ (8,095)	\$ 18,086
GAAP net (loss) income	\$ (10,407)	\$ (3,422)	\$ (10,319)	\$ (21,259)	\$ (45,407)	\$ (14,701)	\$ 2,105	\$ 9,017
Shares used in computing GAAP diluted (loss) earnings per share	51,199,717	51,660,739	51,692,152	51,716,948	51,569,148	52,132,999	53,643,124	54,089,897
GAAP diluted (loss) earnings per share	\$ (0.20)	\$ (0.07)	\$ (0.20)	\$ (0.41)	\$ (0.88)	\$ (0.28)	\$ 0.04	\$ 0.17
Non-GAAP adjustments:								
Add: GAAP income tax (benefit) provision	(2,050)	(2,367)	(1,576)	(4,175)	(10,168)	(3,901)	(10,200)	9,069
Add: Total Non-GAAP adjustments affecting income from operations	49,389	54,428	56,851	70,399	231,067	66,534	73,848	57,544
Non-GAAP income before provision for income taxes	36,932	48,639	44,956	44,965	175,492	47,932	65,753	75,630
Assumed non-GAAP income tax provision ⁽³⁾	7,386	9,728	8,991	8,993	35,098	9,586	13,151	15,126
Non-GAAP net income	\$ 29,546	\$ 38,911	\$ 35,965	\$ 35,972	\$ 140,394	\$ 38,346	\$ 52,602	\$ 60,504
Shares used in computing Non-GAAP diluted earnings per share	52,076,858	51,985,530	52,362,781	52,923,158	52,207,573	53,171,410	53,643,124	54,089,897
Non-GAAP diluted earnings per share	\$ 0.57	\$ 0.75	\$ 0.69	\$ 0.68	\$ 2.69	\$ 0.72	\$ 0.98	\$ 1.12

(1) The individual amounts for each quarter may not sum to full year totals due to rounding.

(2) Includes Security Incident-related costs incurred, net of probable insurance recoveries. Recorded expenses consisted primarily of payments to third-party service providers and consultants, including legal fees, as well as settlements of customer claims, negotiated settlements and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

(3) We apply a non-GAAP effective tax rate of 20.0% when calculating non-GAAP net income and non-GAAP diluted earnings per share.

Historical Reconciliations of GAAP to Non-GAAP Financial Measures (Unaudited)

(in thousands)	3 months ended	6 months ended	9 months ended	12 months ended	3 months ended	6 months ended	9 months ended
	3/31/2022	6/30/2022	9/30/2022	12/31/2022	3/31/2023	06/30/2023	09/30/2023
GAAP net cash provided by operating activities	24,504	81,779	189,806	203,893	21,806	75,002	202,983
Less: purchase of property and equipment	(4,266)	(7,518)	(10,512)	(12,289)	(1,364)	(2,779)	(4,243)
Less: capitalized software and content development costs	(12,683)	(27,183)	(42,757)	(58,774)	(13,967)	(28,756)	(44,664)
Non-GAAP free cash flow	\$ 7,555	\$ 47,078	\$ 136,537	\$ 132,830	\$ 6,475	\$ 43,467	\$ 154,076
Add: Security Incident-related cash flows, net of insurance	823	5,164	9,536	20,864	9,223	15,822	23,100
Non-GAAP adjusted free cash flow	\$ 8,378	\$ 52,242	\$ 146,073	\$ 153,694	\$ 15,698	\$ 59,289	\$ 177,176

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Thank you

