

INVESTOR PRESENTATION

March 2014

blackbaudTM
your passion > our purpose



▶ **MIKE GIANONI, PRESIDENT &
CHIEF EXECUTIVE OFFICER**

► FORWARD LOOKING STATEMENT

Except for historical information, all of the statements, expectations, and assumptions contained in this presentation are forward-looking statements which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding our future operating results. These statements involve a number of risks and uncertainties. Although Blackbaud attempts to be accurate in making these forward-looking statements, it is possible that future circumstances might differ from the assumptions on which such statements are based. In addition, other important factors that could cause results to differ materially include the following: management of integration of acquired companies and other risks associated with acquisitions; general economic risks; uncertainty regarding increased business and renewals from existing customers; continued success in sales growth; risks associated with successful implementation of multiple integrated software products; the ability to attract and retain key personnel; risks related to our leverage, dividend policy and share repurchase program, including potential limitations on our ability to grow and the possibility that we might discontinue payment of dividends; risks relating to restrictions imposed by the credit facility; risks associated with management of growth; lengthy sales and implementation cycles, particularly in larger organizations; technological changes that make our products and services less competitive; and the other risk factors set forth from time to time in the SEC filings for Blackbaud, copies of which are available free of charge at the SEC's website at www.sec.gov or upon request from Blackbaud's investor relations department. Blackbaud assumes no obligation and does not intend to update these forward-looking statements, except as required by law. All Blackbaud product names appearing herein are trademarks or registered trademarks of Blackbaud, Inc.

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► BLACKBAUD (NASDAQ: BLKB)

A MARKET-LEADING GROWTH COMPANY

Market leader in an attractive vertical software market

Unique advantage from 30+ years of building deep domain knowledge

Well positioned to realize value from growth in online fundraising

Broad suite of solutions benefits from transition to cloud-based offerings

Strong and growing base of recurring revenue that generates highly predictable cash flow and attractive returns to shareholders

▶ NONPROFITS WE SERVE HAVE UNIQUE MISSIONS THAT REQUIRE UNIQUE FOCUS

Blackbaud has more than 29,000 customers in over 60 countries with a primary focus in six key geographies



Arts & Culture



Faith-based



Foundations



Healthcare



Higher Education



Human Services



K – 12 Schools



Environment



Animal Welfare

➤ NONPROFITS HAVE UNIQUE NEEDS REQUIRING TAILORED SOFTWARE AND SERVICES

UNIQUE NEEDS

- **Supporter Relationship Journey**
Supporters don't fit into a sales pipeline, they serve their cause in many ways
- **Program Mission / Delivery**
Nonprofits don't deliver "units," they provide volunteers, meals, time
- **Accounting / Back Office**
Fund accounting has unique rules and regulations vs. "for profit" accounting



MARKET SEGMENTS

ENTERPRISE

Target: 5,000+ potential orgs

MID-MARKET

Target: 100,000+ potential orgs

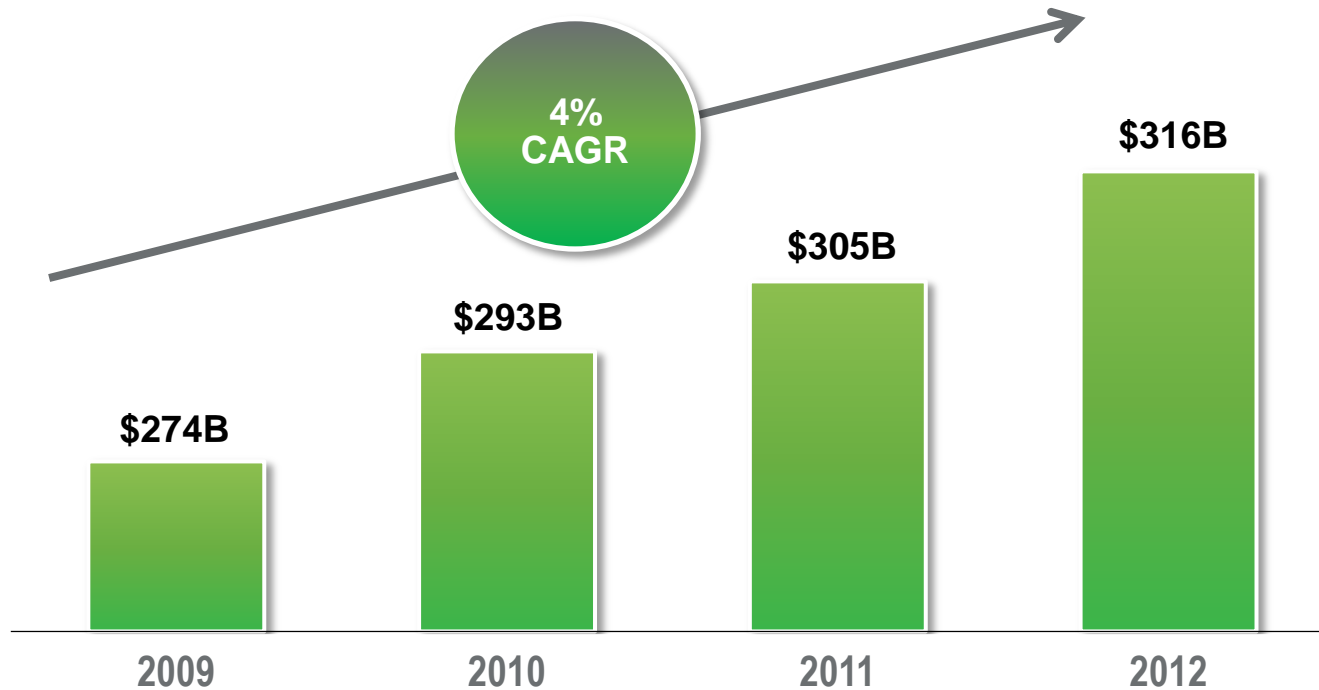
EMERGING MARKET

Target: Million+ of potential supporter groups

6.

▶ NONPROFIT ORGANIZATIONS: CONSISTENT TRACK RECORD OF HISTORIC GROWTH

Growth of Donations¹
(Inflation — adjusted \$ in billions)



¹ 2013 Giving USA Foundation

² Giving USA, Blackbaud – The Chronicle of Philanthropy

➤ NONPROFIT ORGANIZATIONS: MARKET TRENDS AND GROWTH DRIVERS

MIGRATING TO THE CLOUD

- Cloud-based software is increasingly in demand as it effectively becomes “the organization” (no IT, centralized office); **BLKB is well-positioned to capitalize on the continuing shift in the marketplace**

SHIFT TO ONLINE GIVING

- Online giving is the fastest growing mission delivery channel; **BLKB online solutions and payments will drive accelerated growth**

ONE-STOP-SHOP

- Nonprofits are demanding a one-stop-shop provider of solutions across ERP, CRM, and payment services; **BLKB provides an integrated offering that improves effectiveness and understanding of donor behavior**

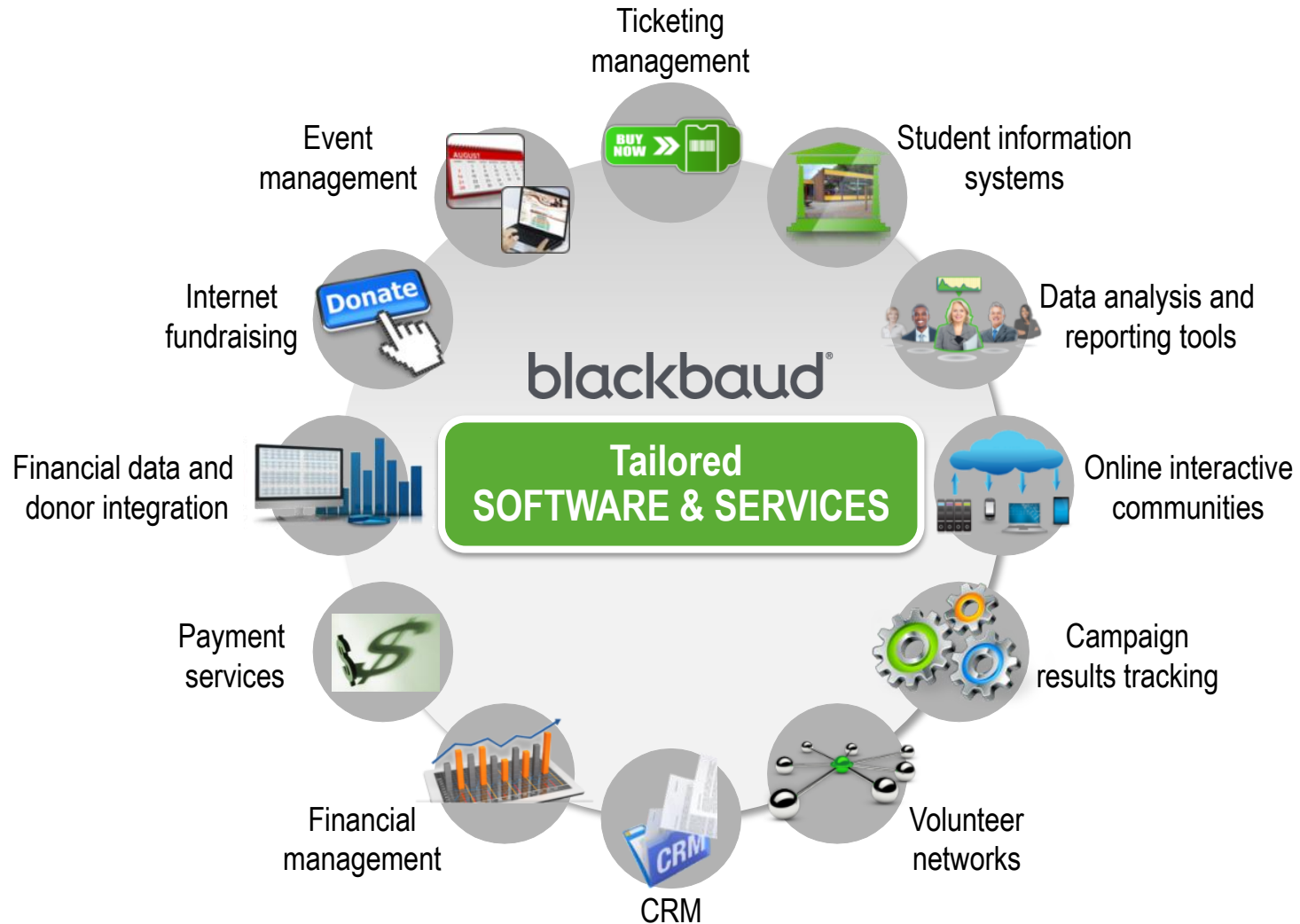
MOBILE & SOCIAL

- NPO's are increasingly relying upon mobile and social strategies to engage supporters; **BLKB is investing in mobile and social solutions to seize market opportunities and drive accelerated revenue growth**

DATA & ANALYTICS

- Data drives improved understanding of customer behaviors and opportunities; **BLKB analytics provide robust customer intelligence tools**

▶ BLACKBAUD PROVIDES UNIQUE ARRAY OF HIGHLY-TARGETED SOLUTIONS



► COMPETITIVE ADVANTAGES IN A FRAGMENTED INDUSTRY

29,000+ Customers Worldwide

blackbaud™	HORIZONTAL APPS ¹	VERTICAL/NICHE
Vertically tailored, comprehensive suite of solutions for NPO	X	✓
Domain knowledge in sales, services and products teams	✓	✓
Product breadth/depth	X	X
Domain expertise for all NPO verticals	✓	X
Integrated marketing capabilities, online/offline, leverage a common database	X	X
Focus on enterprise, mid-market and emerging segments	X	X



Note 1: Includes CRM, MSFT, ORCL

▶ CONTINUED CORE MARKETS GROWTH OF SUBSCRIPTION/ RECURRING REVENUE

Driving Momentum for the Future



► **STRONG LEADERSHIP AND INCREASED FOCUS
ON GROWTH, CASH FLOW, AND EXECUTION**

CEO Mike Gianoni joined January 2014

**Transformation to SaaS/
Recurring Revenue Company**

**Renewed Focus on Product
Suite Optimization**

Increasing Operating Efficiencies

**Capitalize on Key Market Trends
That Will Drive Revenue Growth**

**Optimize Sources of Recurring
Revenue to Drive Predictability
and Increase Cash Flow**

► SIGNIFICANT 2014 GROWTH OPPORTUNITIES

Driving Momentum for the Future

- **Revenue Growth**
 - Accelerating Organic Growth
- **Product Optimization**
 - Simplifying
- **Transformation to a Recurring Revenue Company**
 - Focus on SaaS/MRR
- **Increased Operating Efficiencies**
 - Increasing Scalability



► SIGNIFICANT 2014 GROWTH OPPORTUNITIES

Revenue Growth

- Accelerated Growth/Product Integration Payments, Analytics and Mobile
- Core Markets Growth – MRR
- New Investments in Sales/Retention
- “Tuck-In” Acquisitions

Transform to a Recurring Revenue Company

- Seize Online/Mobile/Payments Opportunities
- Dedicated SaaS Team
- Operationalize SaaS Transition

Product Optimization

- Continue to Simplify/Refine Product Suite
- Drive Integrated Solutions
- Launch New Products

Increased Operating Efficiencies

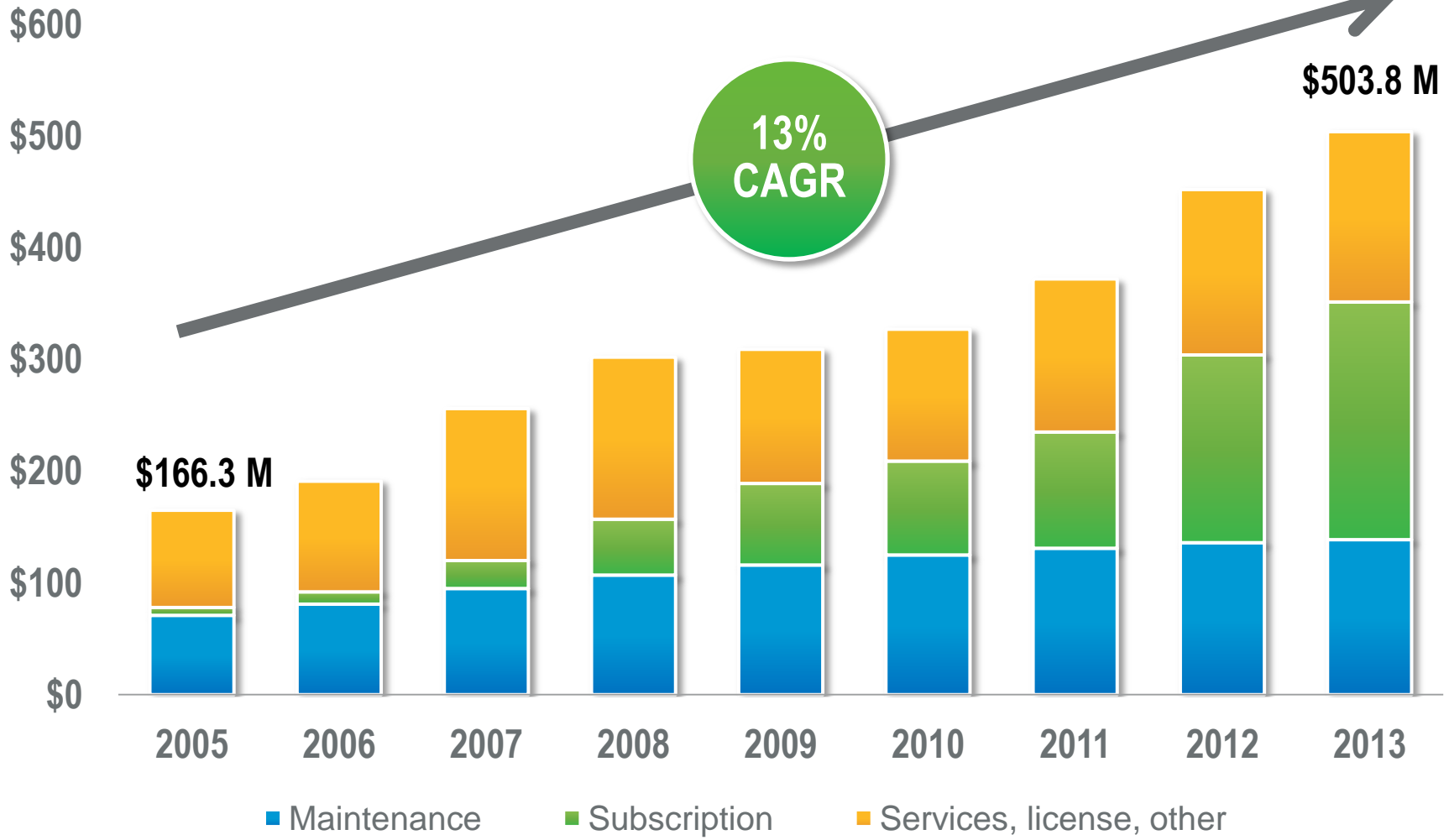
- Standardize and Simplify Processes
- Automate Systems



► **TONY BOOR, CHIEF FINANCIAL OFFICER**

► CONSISTENT TRACK RECORD OF REVENUE GROWTH

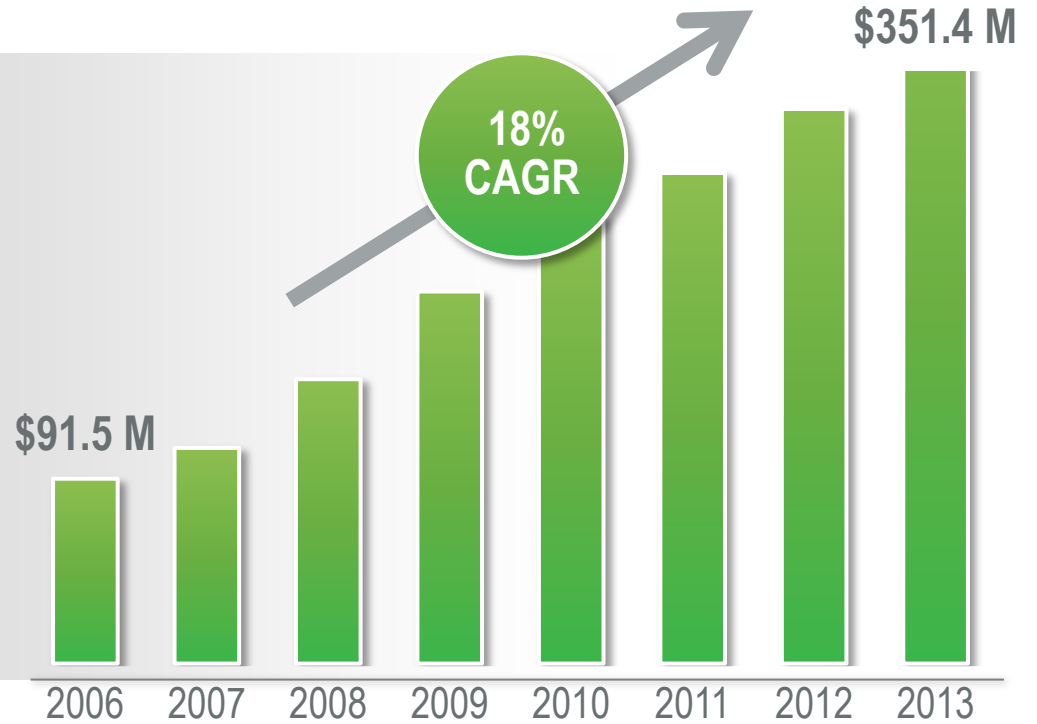
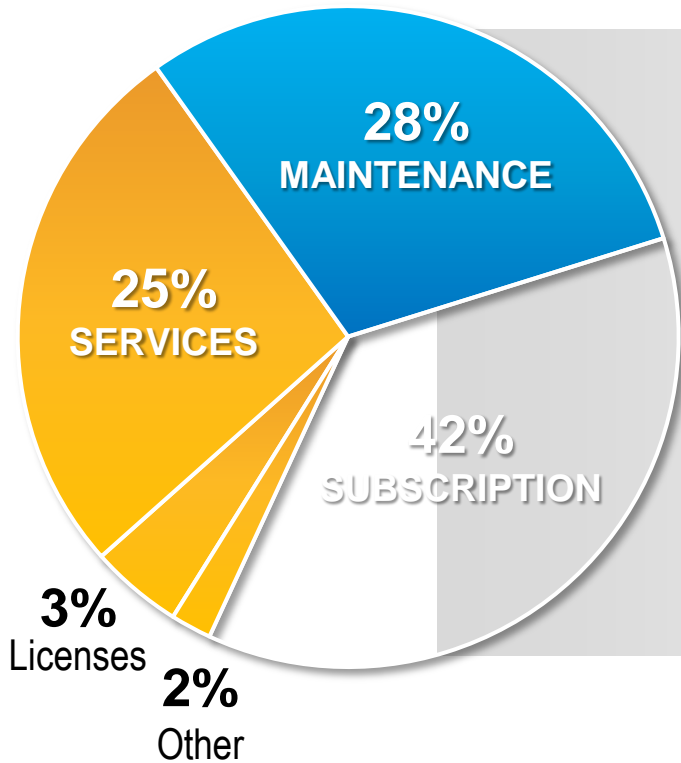
2014 Organic growth is expected to increase by more than 50% vs. 2013



▶ FAST GROWING RECURRING REVENUE STREAM

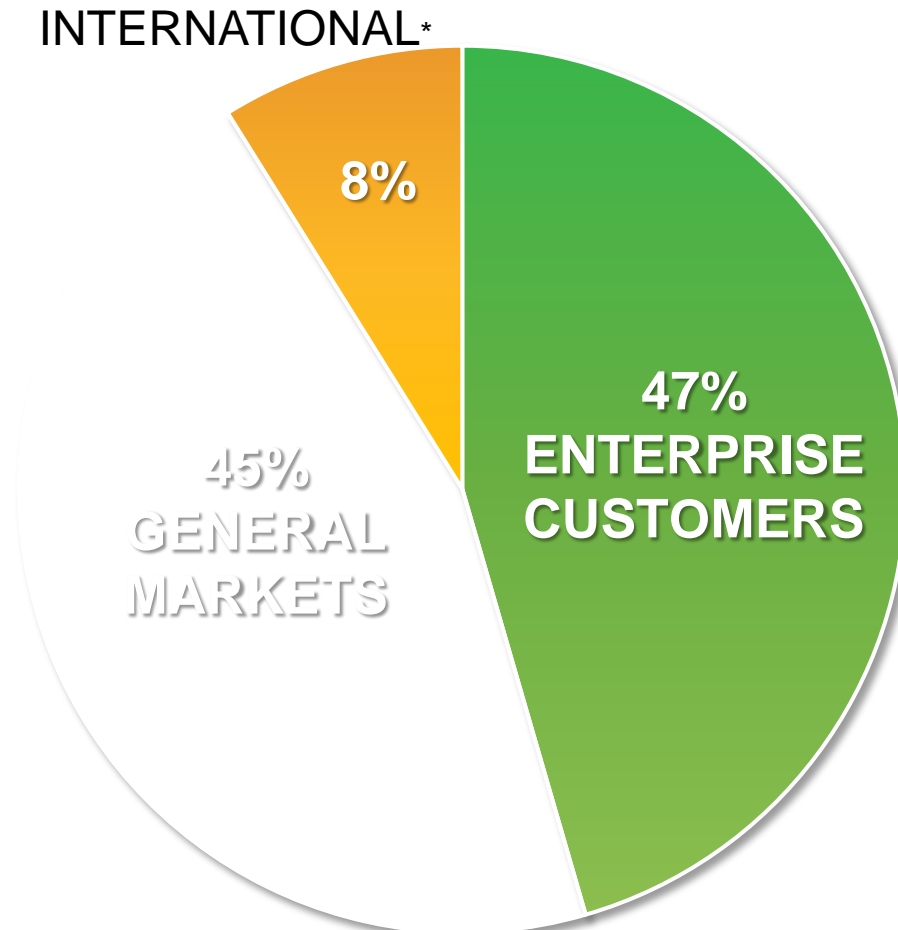
Mix of Revenue
(2013 breakdown)

Consistent, Solid Growth
(recurring revenue)



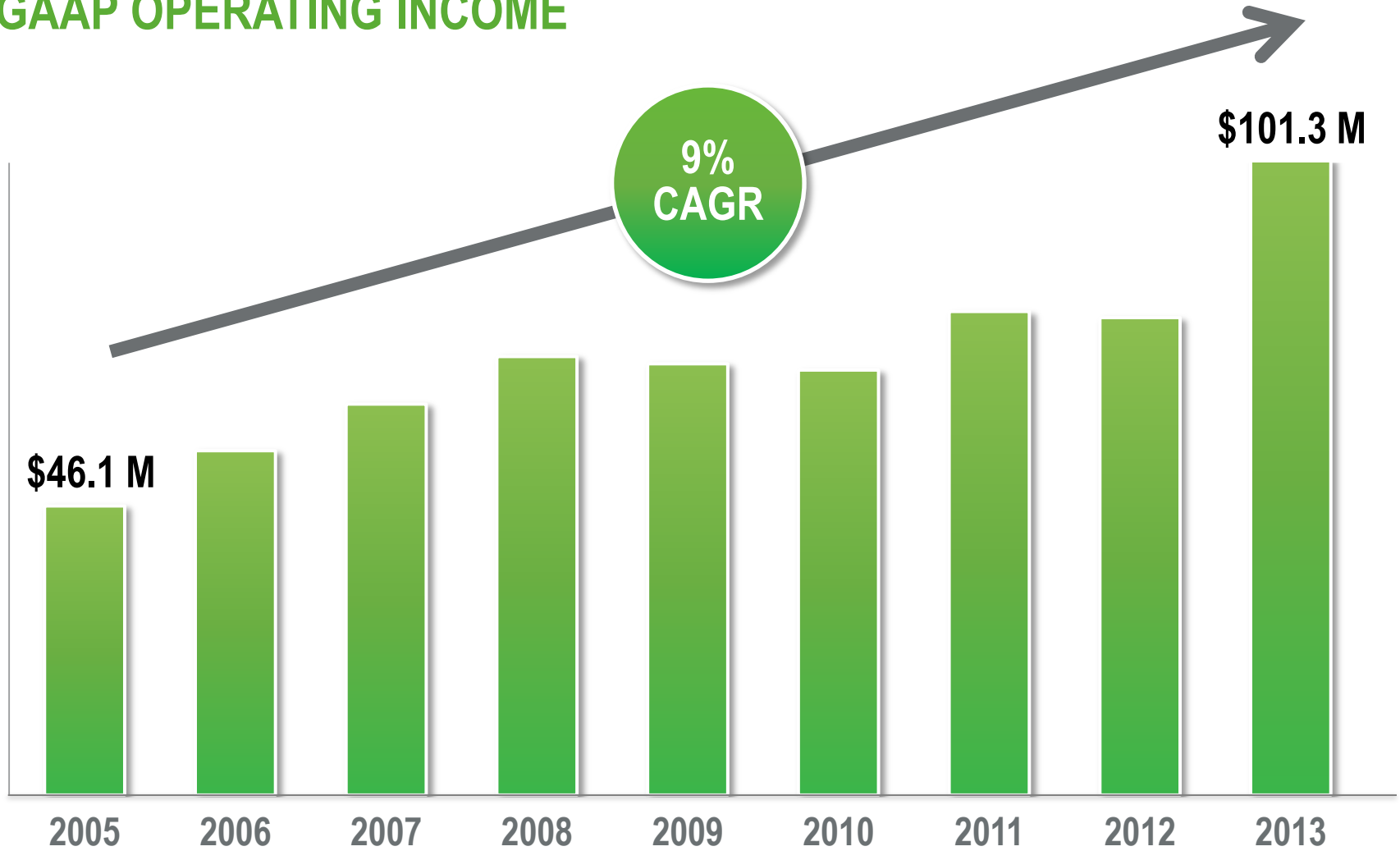
► DIVERSIFIED REVENUE STREAMS

Revenue by Business Unit**



**Excludes Canada which is reported in GMBU and ECBU for segment reporting purposes

▶ TRACK RECORD OF GENERATING STRONG NON-GAAP OPERATING INCOME



► RECORD OF USING STRONG CASH FLOW TO ENHANCE SHAREHOLDER VALUE

CASH FLOW
2013 CFFO of
\$107.2 M / 21% margin

DIVIDEND PAYMENTS & DEBT REDUCTION

- \$0.48 per share dividend – 2013
- \$142.1 million total net debt reduction since Convio acquisition in 2012

STRATEGIC ACQUISITIONS

- 12 acquisitions since early 2006, total of ~\$500M
- Added new products and technologies and expanded client list
- Entered new markets in Europe and APAC

► 2013 FINANCIAL HIGHLIGHTS

34% GROWTH

\$101.3 M
Total non-GAAP
Operating Income

**11.4%
GROWTH**

\$ 5 0 4 . 9 M
TOTAL NON-GAAP REVENUE
(\$503.8 M GAAP Revenue)

35% GROWTH

\$1.28
Non-GAAP
Earnings / Share

\$22.1 M
Dividend
Payments

**56%
GROWTH**

\$107.2 M Cash Flow
From Operations

\$62.6 M
Net Debt
Reduction

► 2014 P & L OPTICS CHANGE

NET-TO-GROSS: PAYMENTS BUSINESS

Accounting Presentation Change Expectations

Revenue and COGS Impact: adds \$25 – \$30 M

Gross Margin Impact: decreases by 300 basis points

Operating Margin Impact: decreases by 90 basis points

- Optical changes only — no economic impact
- Payments business changed revenue presentation from net-to-gross to reflect increased responsibilities over the course of customer transactions

► 2014 OPERATING INVESTMENTS

(EXPECTED \$)

• Revenue Growth

- \$8 M Incremental 2014 Investment
 - Expand emerging and mid-markets sales force
 - Enhance enterprise-wide customer retention services

• Product Optimization

- \$2.5 M Incremental 2014 Investment
 - New product launch - EDH
 - Increased SaaS/online investment
 - Payments acceleration

• Recurring Revenue Company

- \$1 M Incremental 2014 Investment
 - Dedicated SaaS team

• Operating Efficiencies

- \$5 M Incremental 2014 Investment
 - New CRM, expense, and financial management



► **LOOKING AHEAD**

\$535 – \$550 M
NON-GAAP
REVENUE

2014 FINANCIAL GOALS

~ \$100 M
CASH FLOW
FROM
OPERATIONS*

\$92 – \$98 M
NON-GAAP
OPERATING
INCOME

\$1.16 – \$1.24
EARNINGS
PER SHARE

*with stable free cash flow compared to 2013

24.

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► BLKB INVESTMENT CONSIDERATIONS

RECURRING REVENUE MODEL DRIVEN BY GROWING SAAS OFFERING

Represents over 70%
of revenue for 2013

ROBUST FREE CASH FLOW

Strong liquidity profile
with limited leverage;
Low Capex needs drive
strong free cash flow
generation

MARKET LEADER WITH DIVERSIFIED GLOBAL CUSTOMER BASE

30+ year track record with
29,000 customers in over
60 countries, including 28 of
the largest 50 NPOs

STRONG MANAGEMENT TEAM WITH PROVEN TRACK RECORD

Deep industry knowledge
and expertise with broad
international exposure

UNIQUELY POSITIONED TO GAIN MARKETSHARE

Significant core market
and international
growth opportunities;
“Tuck-in” acquisitions