



SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 8-K**

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **July 27, 2005**

**BLACKBAUD, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

**000-50600**

(Commission File Number)

**11-2617163**

(IRS Employer ID Number)

**2000 Daniel Island Drive, Charleston, South Carolina 29492**

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code **(843) 216-6200**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02. Results of Operations and Financial Condition.**

On July 27, 2005, Blackbaud, Inc. issued a press release reporting unaudited financial results for the second quarter ended June 30, 2005. A copy of this press release is attached.

The information in this Form 8-K (including Exhibit 99.1) shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits.**

(c) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated July 27, 2005.

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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 hereunto duly authorized.

Date: July 27, 2005

BLACKBAUD, INC.

/s/ Timothy V. Williams

Timothy V. Williams,  
Vice President and Chief Financial Officer

## Blackbaud, Inc. Announces Record Second Quarter 2005 Results

CHARLESTON, S.C.— July 27, 2005—Blackbaud, Inc. (Nasdaq: BLKB), the leading provider of software and related services designed specifically for nonprofit organizations, today announced financial results for its second quarter 2005.

For the quarter ended June 30, 2005, Blackbaud reported total revenue of \$42.8 million, an increase of 20% compared with the second quarter of 2004. License revenue increased 14% to \$8.3 million, services revenue increased 27% to \$14.1 million, and maintenance and subscriptions revenue increased 18% to \$19.1 million over the comparable period.

Robert J. Sywolski, Chief Executive Officer of Blackbaud, stated, “We are very pleased with our record second quarter results, highlighted by revenue growth that was at its highest level in 5 years. Nonprofit organizations are increasingly turning to technology as a way to enhance their fundraising activities and improve efficiency, and Blackbaud is the clear market leader with 13,000 customers and the industry’s broadest and most comprehensive suite of solutions.” Sywolski added, “Our flagship Raisers Edge product continued to pace the solid growth of our ‘core solutions’ while the rapid growth of our Patron Edge product and our Internet offerings helped to drive our ‘new solutions’ to over 20% of sales for the first time in the Company’s history.”

Blackbaud’s income from operations and net income, determined in accordance with generally accepted accounting principles (GAAP), were \$9.0 million and \$8.5 million, respectively, for the second quarter 2005 compared with income from operations of \$9.1 million and net income of \$5.3 million in the same period last year. GAAP diluted earnings per share were \$0.18 for the quarter ended June 30, 2005, compared with \$0.12 in the same period last year.

Pro forma income from operations and net income, which exclude stock-based compensation expense, certain adjustments to the deferred tax asset, costs of the Company’s initial public offering in 2004 and amortization of intangibles arising from business combinations, were \$12.3 million and \$7.8 million, respectively, compared with \$10.6 million and \$6.5 million in the same period last year. This represents growth of 16% in pro forma income from operations and 21% growth in pro forma net income, while pro forma earnings per share were \$0.16 for the quarter ended June 30, 2005. A reconciliation of GAAP to pro forma results has been provided in the financial statement tables included in the press release. An explanation of these measures is also included below under the heading “Non-GAAP Financial Measures.”

Cash from operations for the first half of 2005 was \$19.3 million, an increase of 19% on a year-over-year basis. Blackbaud had cash and cash equivalents of \$50.4 million at June 30, 2005, an increase from the \$43.3 million level at the end of the prior quarter. As previously announced, in July the Company used \$43 million of its cash to repurchase shares of its common stock in a self-tender offer.

Timothy V. Williams, Chief Financial Officer of Blackbaud, stated, “The second quarter was important for Blackbaud and its stockholders on a couple of fronts. First of all, our proven and predictable business model based on high transaction volume and recurring revenue sources helped us to deliver our 5<sup>th</sup> consecutive quarter of growth and profitability as a public company. This is an impressive accomplishment considering the challenges many software vendors have faced over this time period. Secondly, we were able to use our strong operating cash flow, which aggregated \$46.6 million over the last 12 months, to complete a self-tender offer that was beneficial to all stockholders. The self-tender should be accretive to future earnings per share and will reduce the ownership concentration of our largest stockholder.”

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## Capital Management

Blackbaud announced today that its Board of Directors has declared a third quarter dividend of \$0.05 per share payable on August 30 to stockholders of record on August 15. In addition, Blackbaud's Board of Directors has reinstated the Company's share repurchase program and approved the repurchase of up to \$35 million of the Company's common stock in accordance with the requirements of the Securities and Exchange Commission. The shares may be purchased from time to time on the open market, in privately negotiated transactions or otherwise, depending on market conditions and other factors, all in accordance with the requirements of applicable law. The stock buyback plan does not obligate the Company to acquire any specific number of shares and may be discontinued at any time. The Company may begin making purchases under the share buyback as early as of August 2.

## Conference Call Details

Blackbaud will host a conference call today, July 27, 2005, at 5:00 p.m. (EDT) to discuss the Company's financial results and related matters. To access this call, dial 800-811-8830 (domestic) or 913-981-4904 (international). A replay of this conference call will be available through August 3, 2005, at 888-203-1112 (domestic) or 719-457-0820 (international). The replay passcode is 8026804. A live webcast of this conference call will be available on the "Investor Relations" page of the Company's Web site, and a replay will be archived on the Web site as well.

## About Blackbaud

Blackbaud is the leading global provider of software and related services designed specifically for nonprofit organizations. Approximately 13,000 organizations — including the American Red Cross, Bowdoin College, the Chesapeake Bay Foundation, the Crohn's & Colitis Foundation of America, the Detroit Zoological Society, Episcopal High School, Help the Aged, the New York Philharmonic and United Way of America — use Blackbaud products and consulting services for fundraising, financial management, business intelligence and school administration. Blackbaud's solutions include *The Raiser's Edge*®, *The Financial Edge*™, *The Education Edge*™, *The Patron Edge*™, *Blackbaud® NetCommunity*™, *The Information Edge*™, *WealthPoint*™ and *ProspectPoint*™, as well as a wide range of consulting and educational services. Founded in 1981, Blackbaud is headquartered in Charleston, South Carolina, and also has operations in Toronto, Ontario; Glasgow, Scotland; and Sydney, Australia.

Blackbaud, the Blackbaud logo, The Raiser's Edge, The Financial Edge, The Education Edge, The Information Edge, The Patron Edge, Blackbaud NetCommunity, WealthPoint and ProspectPoint are trademarks or registered trademarks of Blackbaud, Inc.

## Forward-looking Statements

Except for historical information, all of the statements, expectations and assumptions contained in this news release are forward-looking statements that 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 actual results to differ materially from these forward-looking statements include the following: continued success in sales growth; risks related to our proposed dividend and stock repurchase programs, including potential limitations on our ability to grow and the possibility that we might discontinue payment of dividends; adoption of our products and services by nonprofits; uncertainty regarding increased business and renewals from existing customers; risk associated with product concentration; lengthy sales and implementation cycles; economic conditions and seasonality; competition; risks associated with management of growth; risks associated with acquisitions; technological changes that make our products and services less competitive; the ability to attract and retain key

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personnel; 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 upon request from Blackbaud's investor relations department.

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

Blackbaud has provided in this release financial information that has not been prepared in accordance with GAAP. This information includes pro forma gross margin, pro forma operating income and margin, pro forma net income and pro forma earnings per share. Blackbaud 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 Blackbaud's ongoing operational performance. Blackbaud 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 with other companies in Blackbaud's industry, many of which present similar non-GAAP financial measures to investors. As noted, the non-GAAP financial results discussed above exclude the impact of costs associated with the Blackbaud's IPO (completed on July 22, 2004), amortization of intangibles arising from business combinations, stock option compensation expense and certain adjustments to the deferred tax asset.

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 reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measure as detailed above. As previously mentioned, a reconciliation of GAAP to pro forma results has been provided in the financial statement tables included in this press release.

#### **INVESTOR CONTACT:**

Tim Dolan  
Integrated Corporate Relations  
203-682-8200

#### **MEDIA CONTACT:**

Megan McDonnell  
Integrated Corporate Relations  
203-682-8200

**SOURCE:** Blackbaud, Inc.

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**BLACKBAUD, INC.**  
**BALANCE SHEETS**  
(In thousands, except share and per share amounts)

	June 30, 2005	December 31, 2004
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 50,444	\$ 42,144
Accounts receivable, net of allowance of \$1,399 and \$1,420, respectively	27,541	19,580
Prepaid expenses and other current assets	1,443	1,806
Deferred tax asset, current portion	1,069	542
Total current assets	80,497	64,072
Property and equipment, net	6,714	7,199
Deferred tax asset	80,983	87,522
Goodwill	1,974	1,673
Intangible assets, net	235	—
Deferred financing fees, net	109	133
Other assets	11	209
Total assets	<u>\$ 170,523</u>	<u>\$ 160,808</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Trade accounts payable	\$ 2,675	\$ 2,653
Current portion of capital lease obligations	—	44
Accrued expenses and other current liabilities	9,905	16,019
Deferred revenue	57,795	51,593
Total current liabilities	70,375	70,309
Long-term deferred revenue	890	710
Total liabilities	71,265	71,019
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; 20,000,000 shares authorized, none outstanding	—	—
Common stock, \$.001 par value; 180,000,000 shares authorized, 44,446,035 and 42,549,056 shares issued at June 30, 2005 and December 31, 2004, respectively	44	43
Additional paid-in capital	60,089	55,292
Deferred compensation	(700)	(1,064)
Treasury stock, at cost; 861,076 shares at June 30, 2005	(10,630)	—
Accumulated other comprehensive income	195	355
Retained earnings	50,260	35,163
Total stockholders' equity	99,258	89,789
Total liabilities and stockholders' equity	<u>\$ 170,523</u>	<u>\$ 160,808</u>



**BLACKBAUD, INC.**  
**STATEMENTS OF OPERATIONS**  
(In thousands, except share and per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
<b>Revenue</b>				
License fees	\$ 8,304	\$ 7,293	\$ 14,772	\$ 12,370
Services	14,112	11,090	25,584	20,663
Maintenance and subscriptions	19,150	16,192	37,679	32,025
Other revenue	1,242	974	2,176	1,928
<b>Total revenue</b>	<b>42,808</b>	<b>35,549</b>	<b>80,211</b>	<b>66,986</b>
<b>Cost of revenue</b>				
Cost of license fees	1,146	835	2,091	1,493
Cost of services (of which \$83, \$273, \$174 and \$567 in the three months ended June 30, 2005 and 2004 and the six months ended June 30, 2005 and 2004, respectively, was stock option compensation expense)	7,190	5,952	13,783	11,552
Cost of maintenance and subscriptions (of which \$11, \$25, \$22 and \$62 in the three months ended June 30, 2005 and 2004 and the six months ended June 30, 2005 and 2004, respectively, was stock option compensation expense)	2,927	2,855	5,871	5,586
Cost of other revenue	1,228	915	2,044	1,775
<b>Total cost of revenue</b>	<b>12,491</b>	<b>10,557</b>	<b>23,789</b>	<b>20,406</b>
<b>Gross profit</b>				
	<b>30,317</b>	<b>24,992</b>	<b>56,422</b>	<b>46,580</b>
Sales and marketing	8,794	7,155	16,476	13,293
Research and development	5,284	4,428	10,331	8,704
General and administrative	4,006	3,121	7,841	6,054
Amortization	—	—	—	32
Costs of initial public offering	—	700	—	1,650
Stock option compensation	3,226	526	(4,516)	1,193
<b>Total operating expenses</b>	<b>21,310</b>	<b>15,930</b>	<b>30,132</b>	<b>30,926</b>
<b>Income from operations</b>				
	<b>9,007</b>	<b>9,062</b>	<b>26,290</b>	<b>15,654</b>
Interest income	327	29	580	54
Interest expense	(12)	(37)	(25)	(250)
Other income (expense), net	109	(3)	(2)	346
<b>Income before provision for income taxes</b>				
	<b>9,431</b>	<b>9,051</b>	<b>26,843</b>	<b>15,804</b>
Income tax provision	896	3,708	7,449	6,464
<b>Net income</b>				
	<b>\$ 8,535</b>	<b>\$ 5,343</b>	<b>\$ 19,394</b>	<b>\$ 9,340</b>
<b>Earnings per share</b>				
Basic	\$ 0.19	\$ 0.13	\$ 0.45	\$ 0.22
Diluted	\$ 0.18	\$ 0.12	\$ 0.40	\$ 0.20
<b>Common shares and equivalents outstanding</b>				
Basic weighted average shares	43,869,796	42,490,790	42,958,761	42,450,873
Diluted weighted average shares	48,675,998	46,359,016	48,097,775	46,312,168
<b>Summary of stock option compensation expense (benefit)</b>				
Cost of services	\$ 83	\$ 273	\$ 174	\$ 567
Cost of maintenance and subscription revenue	11	25	22	62
<b>Total cost of revenue</b>	<b>94</b>	<b>298</b>	<b>196</b>	<b>629</b>
Sales and marketing	70	222	144	476
Research and development	42	142	97	316
General and administrative	3,114	162	(4,757)	401
<b>Total operating expense</b>	<b>3,226</b>	<b>526</b>	<b>(4,516)</b>	<b>1,193</b>
<b>Total stock option compensation expense (benefit)</b>	<b>\$ 3,320</b>	<b>\$ 824</b>	<b>(\$4,320)</b>	<b>\$ 1,822</b>

**BLACKBAUD, INC.**  
**STATEMENTS OF CASH FLOWS**  
(In thousands)

	Six months ended June 30,	
	2005	2004
<b>Cash flows from operating activities</b>		
Net income	\$ 19,394	\$ 9,340
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,359	1,297
Provision for doubtful accounts and sales returns	694	607
Stock option compensation (benefit) expense	(3,881)	1,822
Amortization of deferred financing fees	24	156
Deferred taxes	6,012	4,248
Benefit on exercise of stock options	3,631	—
Changes in assets and liabilities, net of acquisition		
Accounts receivable	(8,846)	(8,962)
Prepaid expenses and other assets	569	(278)
Trade accounts payable	28	344
Accrued expenses and other current liabilities	(6,021)	232
Deferred revenue	6,365	7,483
Total adjustments	(66)	6,949
Net cash provided by operating activities	19,328	16,289
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(890)	(1,188)
Purchase of net assets of acquired company	(497)	(66)
Net cash used in investing activities	(1,387)	(1,254)
<b>Cash flows from financing activities</b>		
Repayments on long-term debt and capital lease obligations	(44)	(5,068)
Proceeds from exercise of stock options	5,411	480
Purchase of treasury stock	(10,630)	—
Dividend payments to stockholders	(4,297)	—
Net cash used in financing activities	(9,560)	(4,588)
Effect of exchange rate on cash and cash equivalents	(81)	(304)
Net increase in cash and cash equivalents	8,300	10,143
Cash and cash equivalents, beginning of period	42,144	6,708
Cash and cash equivalents, end of period	\$ 50,444	\$ 16,851
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for		
Interest	1	43
Taxes	2,671	1,325

**BLACKBAUD, INC.**  
**RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES**  
**(Unaudited)**  
**(In thousands, except per share amounts)**

	<u>Three months ended June 30,</u> <u>2005</u>		<u>Six months ended June 30,</u> <u>2005</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>GAAP revenue</b>	<b>\$ 42,808</b>	<b>\$ 35,549</b>	<b>\$ 80,211</b>	<b>\$ 66,986</b>
<b>GAAP gross margin</b>	<b>\$ 30,317</b>	<b>\$ 24,992</b>	<b>\$ 56,422</b>	<b>\$ 46,580</b>
<b>Pro forma adjustments:</b>				
Amortization of deferred stock compensation	94	298	196	629
<b>Pro forma gross profit</b>	<b>\$ 30,411</b>	<b>\$ 25,290</b>	<b>\$ 56,618</b>	<b>\$ 47,209</b>
<b>Pro forma gross margin</b>	<b>71%</b>	<b>71%</b>	<b>71%</b>	<b>70%</b>
<b>GAAP income from operations</b>	<b>\$ 9,007</b>	<b>\$ 9,062</b>	<b>\$ 26,290</b>	<b>\$ 15,654</b>
<b>Pro forma adjustments:</b>				
Amortization of deferred stock compensation expense (benefit)	3,320	824	(4,320)	1,822
Costs of initial public offering	—	700	—	1,650
Amortization of intangibles from business combinations	—	—	—	32
Total pro forma adjustments	3,320	1,524	(4,320)	3,504
<b>Pro forma income from operations</b>	<b>\$ 12,327</b>	<b>\$ 10,586</b>	<b>\$ 21,970</b>	<b>\$ 19,158</b>
<b>Pro forma operating margin</b>	<b>29%</b>	<b>30%</b>	<b>27%</b>	<b>29%</b>
<b>GAAP net income</b>	<b>\$ 8,535</b>	<b>\$ 5,343</b>	<b>\$ 19,394</b>	<b>\$ 9,340</b>
<b>Pro forma adjustments:</b>				
Total pro forma adjustments affecting income from operations	3,320	1,524	(4,320)	3,504
Tax impact related to pro forma adjustments	(4,077)	(416)	(1,335)	(1,067)
<b>Pro forma net income</b>	<b>\$ 7,778</b>	<b>\$ 6,451</b>	<b>\$ 13,739</b>	<b>\$ 11,777</b>
<b>GAAP shares used in computing diluted income per share</b>	<b>48,676</b>	<b>46,359</b>	<b>48,098</b>	<b>46,312</b>
<b>Pro forma adjustments:</b>				
Incremental shares related to stock options	(1,350)	(573)	(1,433)	(543)
<b>Shares used in computing pro forma earnings per diluted share</b>	<b>47,326</b>	<b>45,786</b>	<b>46,665</b>	<b>45,769</b>
<b>Pro forma earnings per diluted share</b>	<b>\$ 0.16</b>	<b>\$ 0.14</b>	<b>\$ 0.29</b>	<b>\$ 0.26</b>