



Blackbaud Investor Presentation

blackbaud®

TICKER: BLKB

February 22, 2022

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 "expects," "anticipates," "aims," "projects," "intends," "plans," "likely," "will," "should," "believes," "estimates," "seeks," 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. Therefore, 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; the implementation of our new global enterprise resource planning system; uncertainty regarding the COVID-19 disruption 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 and non-GAAP organic recurring revenue growth, 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 fiscal years ended December 31, 2021 and 2020 and the interim periods therein; calculations for recurring revenue growth and total revenue growth for the twelve month period ended December 31, 2021 and the interim periods therein; and calculations of non-GAAP organic recurring revenue growth, non-GAAP organic revenue growth and non-GAAP organic 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 development costs; stock-based compensation; acquisition-related integration costs; acquisition-related expenses; employee severance; restructuring and other real estate activities; and costs, net of insurance, related to the previously disclosed security incident discovered in May 2020 (the "Security Incident").

Non-GAAP free cash flow is defined as operating cash flow less capital expenditures, including costs required to be capitalized for software 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 development, capital expenditures for property and equipment, and less 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 years ended December 31, 2021 and 2020 and interim consolidated balance sheets for each of the quarters within fiscal 2021 and 2020; historical consolidated statements of comprehensive income for the fiscal years ended December 31, 2021 and 2020 and interim consolidated statements of comprehensive income for each of the quarters within fiscal 2021 and 2020; historical consolidated statements of cash flows for the fiscal years ended December 31, 2021 and 2020 and interim consolidated statements of cash flows for each of the interim year-to-date periods within fiscal 2021 and 2020; and historical non-GAAP financial information for the fiscal years ended December 31, 2021 and 2020 and for each of the quarters within fiscal 2021 and 2020 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 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.

Key Messages

1

Leader in a large,
resilient, and growing
global market

2

Multiple levers
exist to accelerate
revenue growth

3

Revenue growth and
scalability drive margin
expansion

4

Rapidly innovating for our
customers and positioned to
capture digital shift

Driving toward our **long-term aspirational goal** to achieve:

High Single-Digit

organic revenue growth

40%+

using a Rule of 40 framework



01

Our Markets

02

Key
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Strategy for
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Financial
Strategy

Social good is a resilient, significant global sector



ARTS AND CULTURAL
ORGANIZATIONS



COMPANIES



FAITH
COMMUNITIES



FOUNDATIONS



HEALTHCARE
ORGANIZATIONS



HIGHER EDUCATION
INSTITUTIONS



INDIVIDUAL
CHANGE AGENTS



K-12 SCHOOLS



NONPROFITS



Blackbaud is the world's leading cloud software company powering social good

\$100B+
raised, granted, and
invested in their
programming by our
customers each year¹

Millions
of users across
100+ countries¹

80%
of the most
influential
nonprofits²

1 out of 3
Fortune 500
companies³

**9 of the
top 10**
healthcare systems are
Blackbaud customers⁴

93%
of higher education
institutions with
billion-dollar
campaigns⁵

25
of the largest
Catholic Dioceses
in the US¹

150+
experts dedicated
to arts and cultural
organizations¹



1st Place:
Blackbaud Education
Management Solutions

Driving significant value for our customers

200%

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

\$400K

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



43%

Increase in fundraising dollars using data-driven strategy informed by Blackbaud Fundraiser Performance Management™ and donorCentrics®

300K

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

100X

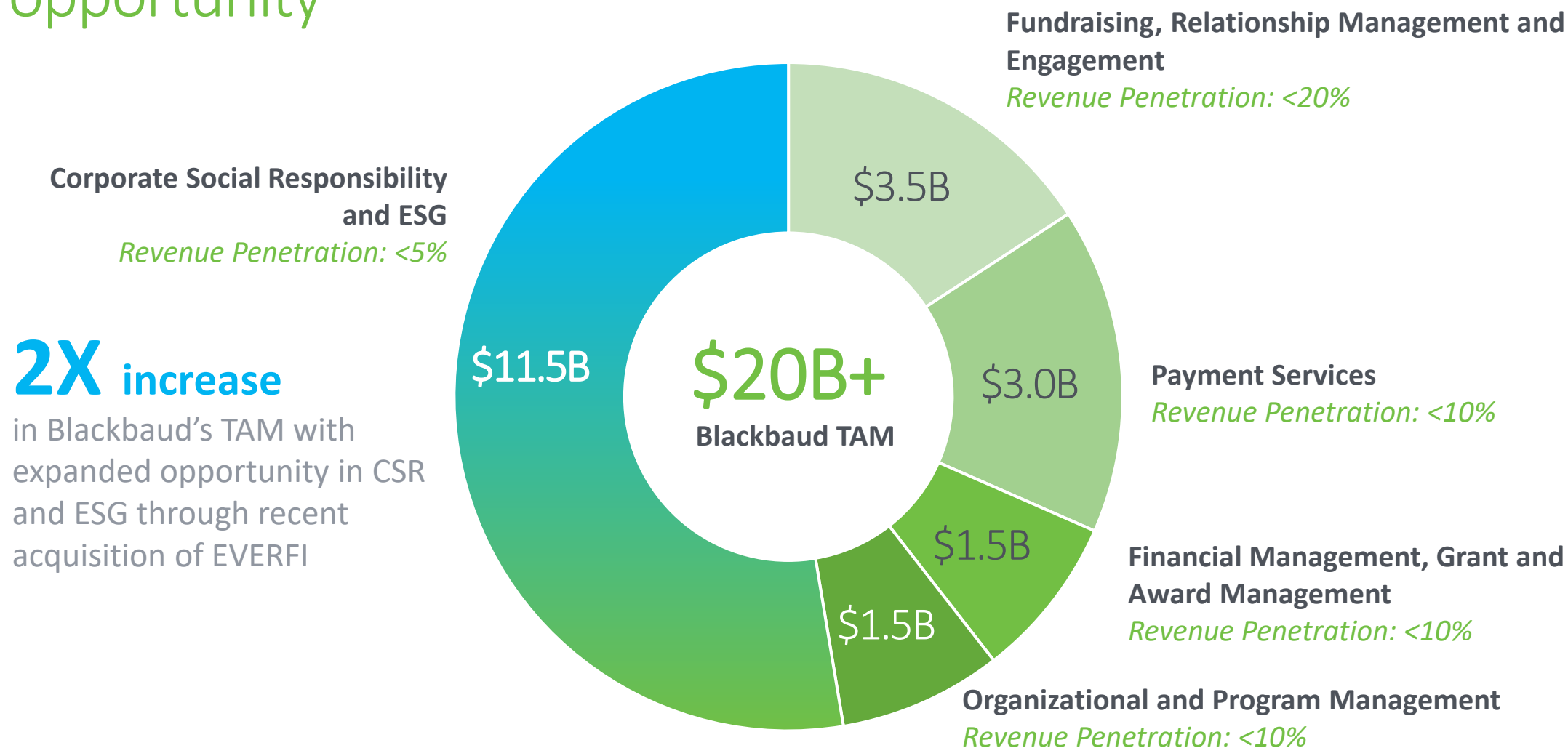
reduction in time setting up tuition account with Blackbaud's suite of education management solutions

+61%

growth in percentage of tickets sold online with implementation of Blackbaud Altru®

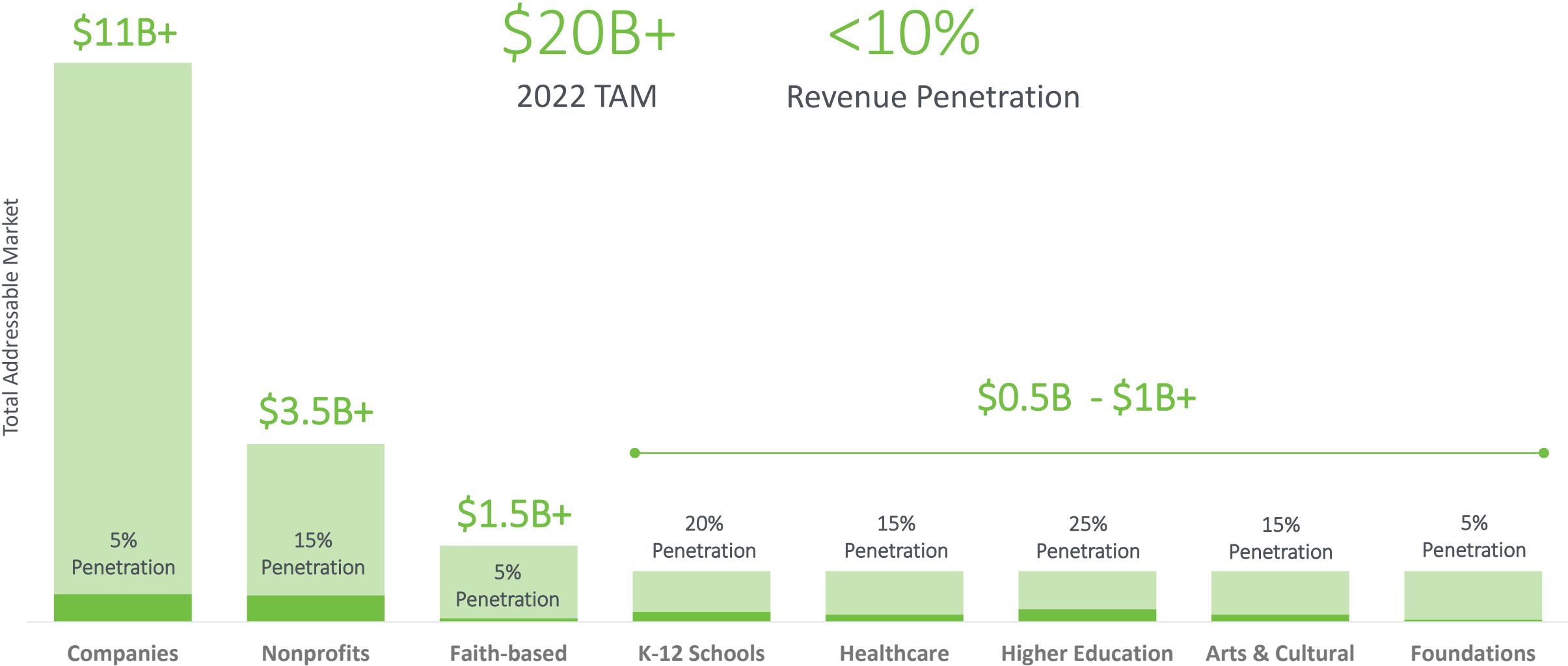
Sourced from Blackbaud [customer stories](#)

Large and underpenetrated total addressable market (TAM) opportunity



Sources: FY 2021 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

Opportunity for growth extends across vertical markets



Sources: FY 2021 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



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Our Markets

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Financial
Strategy

The market's most comprehensive solutions for social good

Blackbaud is the **largest cloud software vendor** focused exclusively on the social good community¹

Only Blackbaud offers a full portfolio of **purpose-built, integrated solutions**

Highly **fragmented competition** offers single-point solutions

Large customer base with **93% customer retention**

Strong balance sheet and cash flows to support strategic acquisitions and internal product development

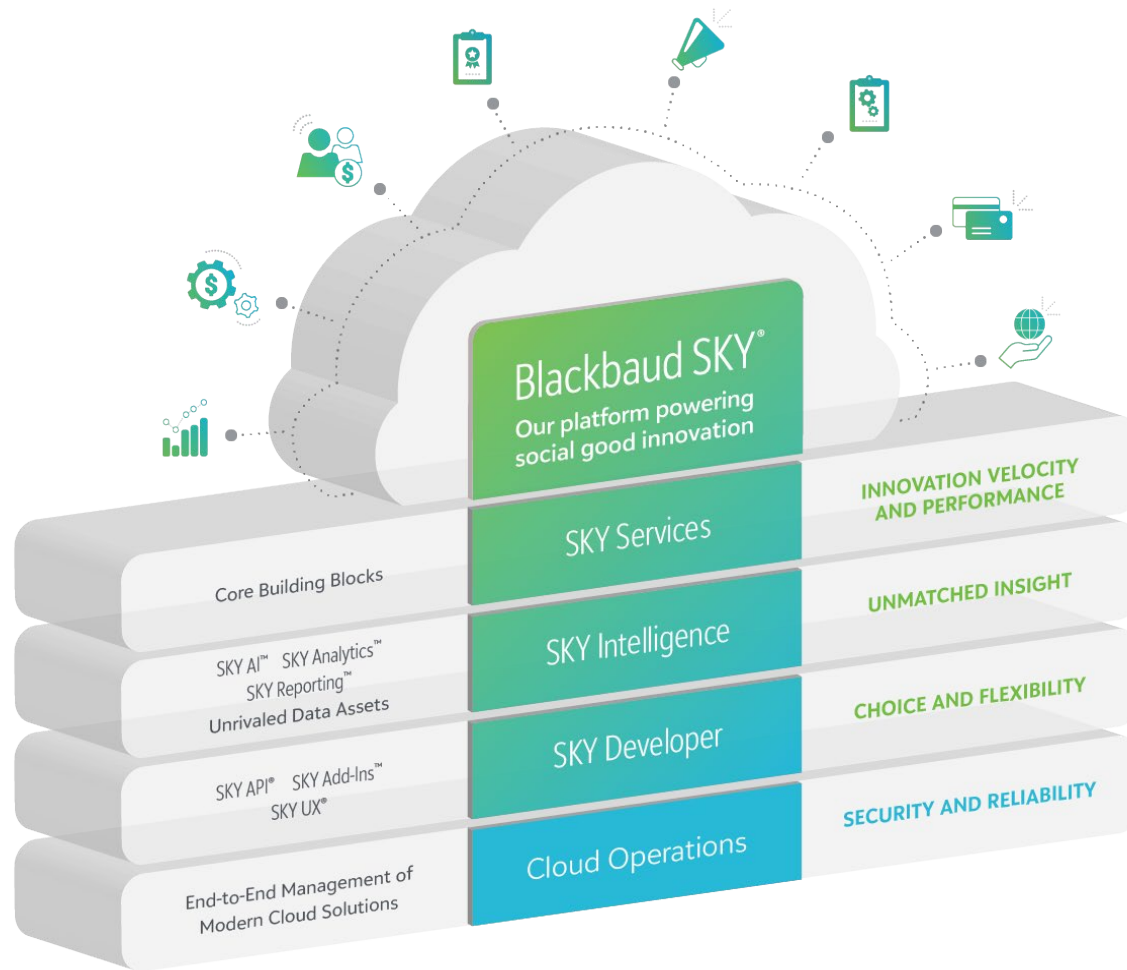


OUR COMPETITORS²

| | | | | | |
|--|--|--|--|--|--|
| | | | | | |
|--|--|--|--|--|--|

¹ IDC Top 40 largest cloud software provider worldwide, 2020 ² Informed by internal competitive intelligence and analysis

Built on industry leading cloud technology



Power of the Platform

Common shared components

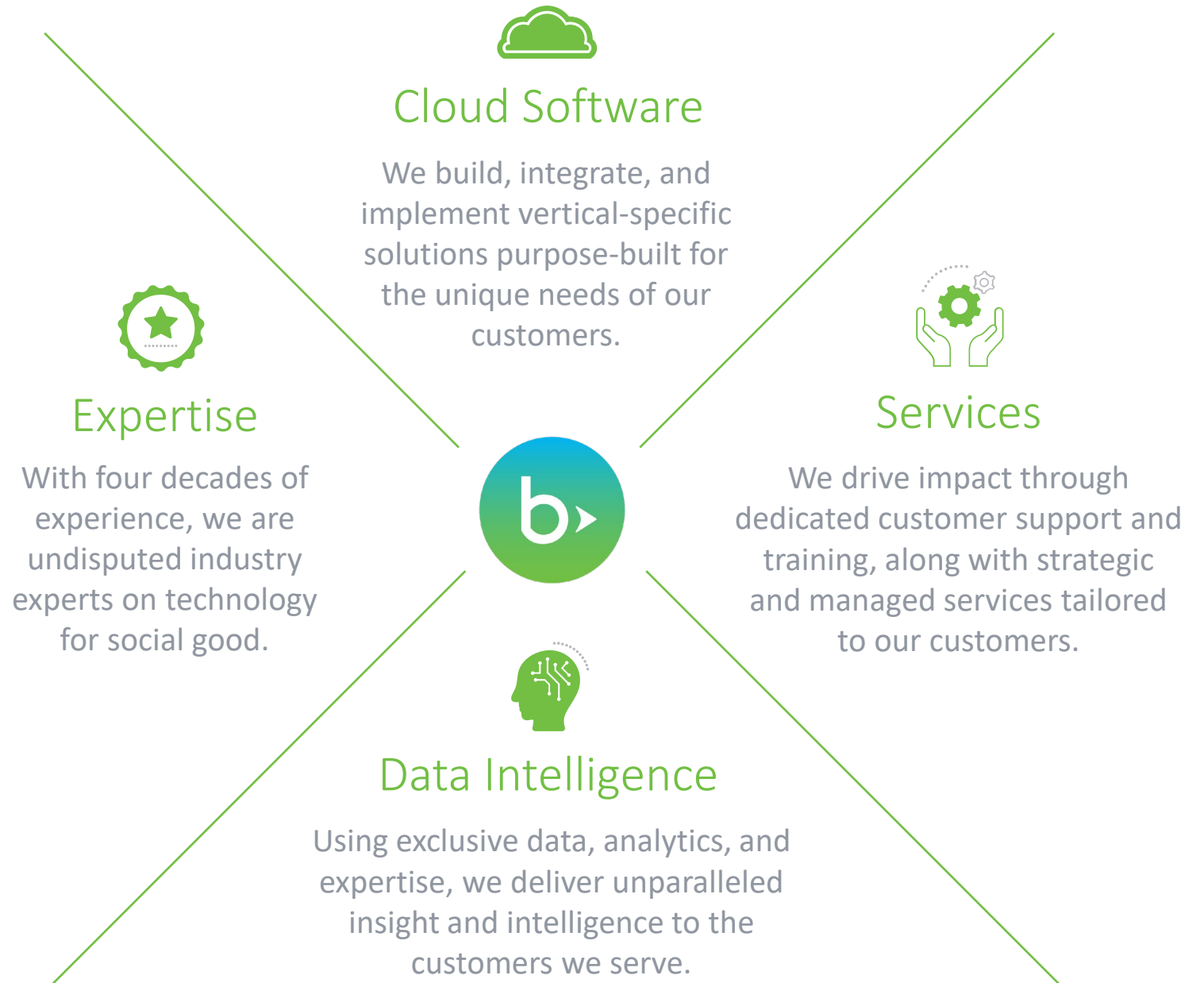
Continuous innovation and feature deployment

Accelerated time to market

Integrated capabilities

Enables a network effect

We make it
simple with one
accountable
partner



A culture built on unmatched commitment to social good



We work
as one.



We bring
heart.



We invent
possibilities.



We expect
the best.



We give
back.

7 out of 10

employees volunteer
logging over 100,000
hours annually

1 out of 5

employees serve on
nonprofit boards

600+

engineers; largest R&D
investment in the sector

30%

of open job postings filled by
existing employees through
promotion and growth
opportunities

500+

employees worked
previously for social good
organizations

9 out of 10

employees say that it is
important to them that
Blackbaud operates in a
socially responsible manner

1 out of 3

employees belong to
an employee-led
affinity group

1 out of 4

employees participate in
our matching gift program

Note: Internal Statistics



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Our Markets

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Financial
Strategy

Growth driven by a four-point strategy

1

Expand total addressable market

Acquiring, building, and partnering into near adjacent markets and expanding existing ones

2

Lead with world class teams and operations

Executing a world-class operating model on a journey to improve company performance as measured by 'Rule of 40'

3

Delight customers with innovative cloud solutions

Comprehensive, purpose-built cloud solutions – backed by service to deliver differentiated value

4

Focus on employees, culture, and ESG initiatives

Continue to evolve our focus on people, culture, and corporate initiatives

Expand total addressable market

Acquiring, building, and partnering into near adjacent markets

2014 - Acquisition



2014 - Acquisition



2015 - Acquisition



2016 - Acquisition



2017 - Acquisition



2017 - Acquisition



2018 - Acquisition



2018 - New Solution

Blackbaud Church Management™

2018 - New Solution

Blackbaud Education Management

2019 - Acquisition



2021 - Acquisition



\$14B+

in TAM added through
acquisitions and new
solution builds

Lead with world class teams and operations

Vertical Go-to-market

focus on customer needs and solution selling

Centers of Excellence

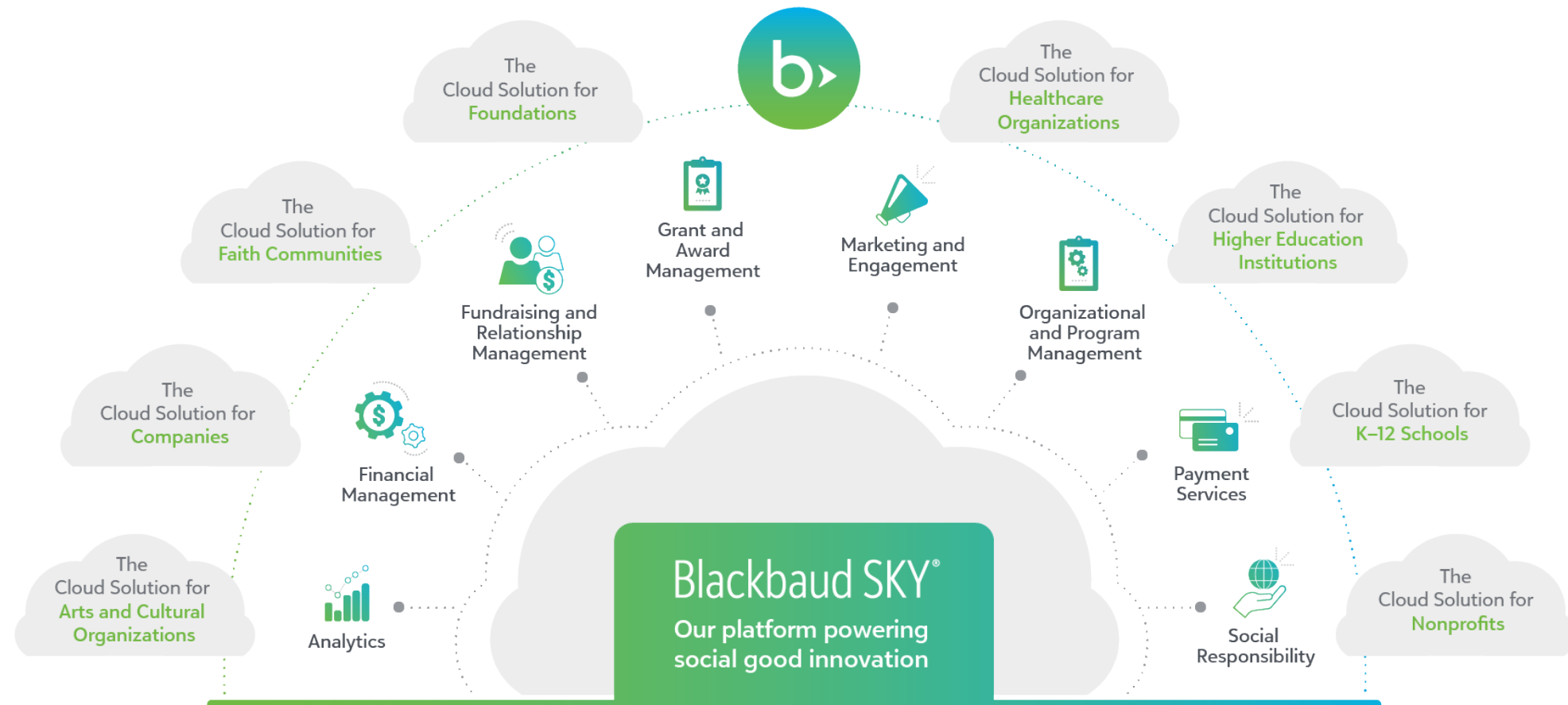
support functions with common systems, metrics, and measurement

Productivity Improvement

continuous improvement across all functions of the organization



Delight customers with innovative cloud solutions



Focus on employees, culture and ESG initiatives

Vision: Drive long-term sustainable value for all our stakeholders by living out our higher purpose of “helping good take over” in the way we operate all facets of our business through a world class ESG program



ENVIRONMENTAL

Substantially reduced global office footprint and business travel

Currently pursuing carbon neutrality

Announced multi-year philanthropic commitment to Project Drawdown's climate initiatives



SOCIAL

Attract and retain top talent regardless of location with remote-first workforce strategy

Building diverse teams through inclusive culture and focus on employee well-being with robust resources and support

Strong culture of giving back through corporate philanthropy and employee volunteer support



GOVERNANCE

Joined UN Global Compact in 2021

Created ESG Steering Committee with CEO sponsorship and board of director's oversight

Focus on increasing level of disclosure on targets and metrics

Maintain formalized policies and procedures to be responsible and ethical custodians of personal data

01

Our Markets

02

Key
Differentiators

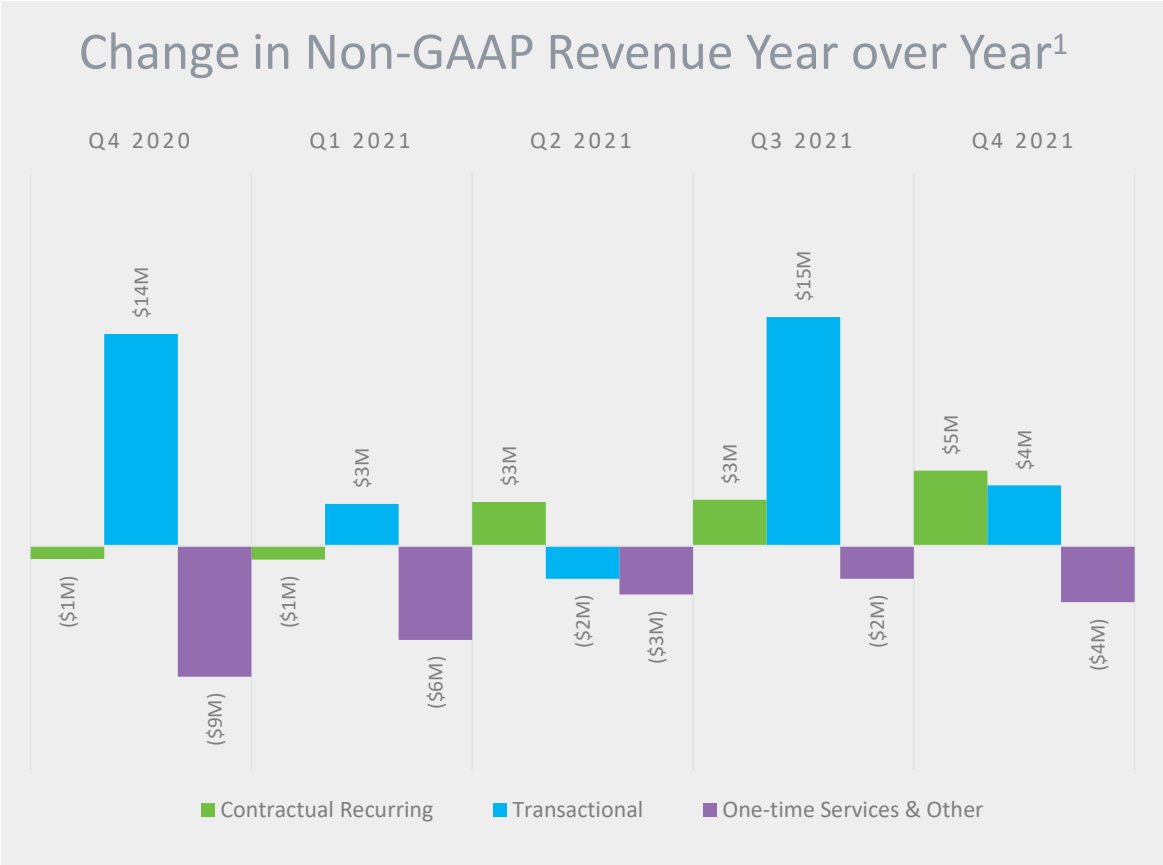
03

Strategy for
Growth

04

Financial
Strategy

Strong Q4 2021 Revenue Performance as Pandemic-related Variability Begins to Subside



Contractual Recurring Revenue

- Strong customer retention of 93%
- Continued strength in renewals and bookings trends with year-over-year improvement in sales productivity per rep



Transactional Revenue

- Benefiting from accelerated shift toward online giving, the return of in-person events, and strong year-end giving



One-time Services & Other Revenue

- Declined 29% vs. Q4 2020, consistent with prior years and in line with strategy
- Decline in one-time services expected to bottom in 2022

¹ Non-GAAP Revenue through 12/31/2021

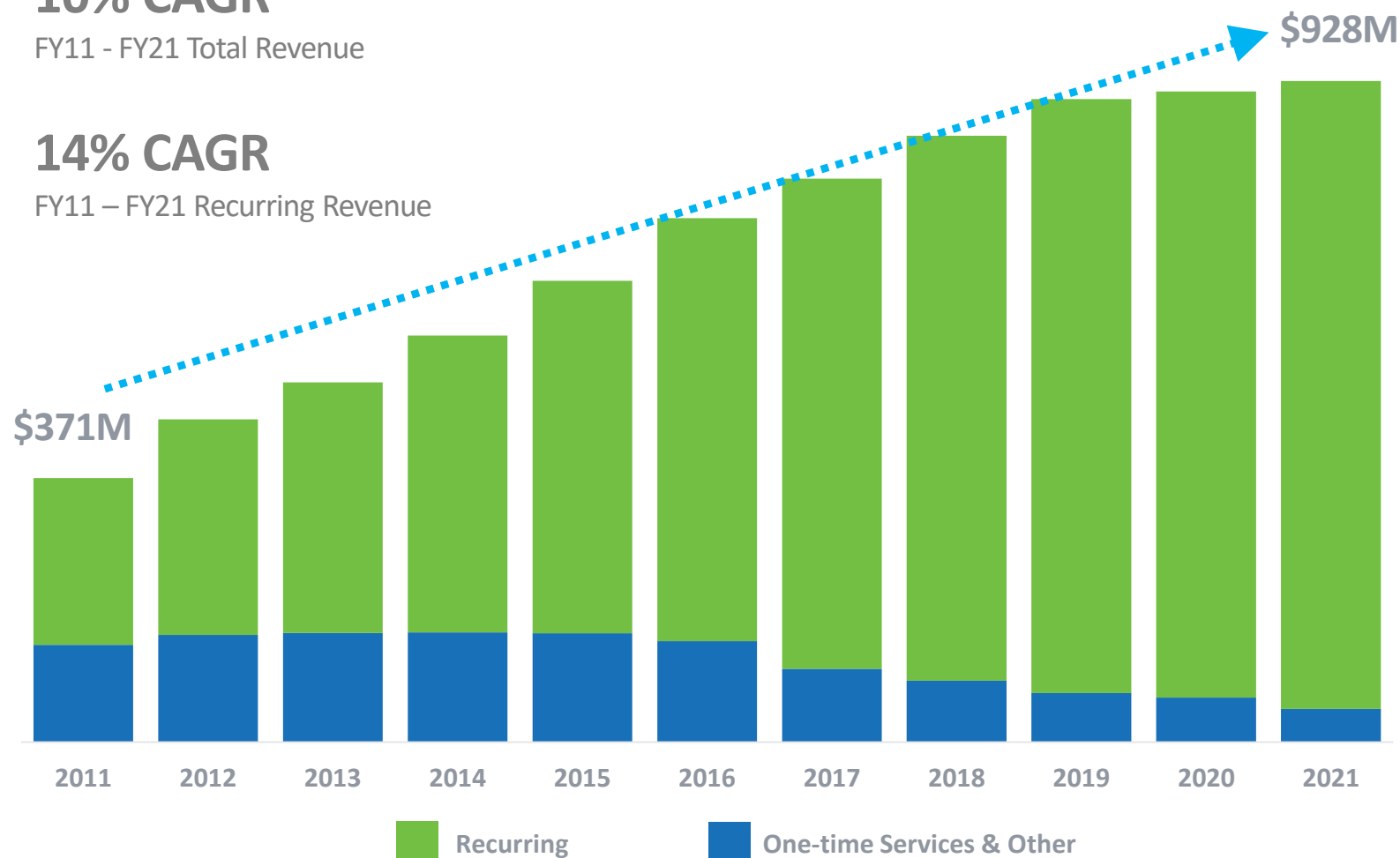
Proven history of double-digit revenue growth inclusive of M&A

10% CAGR

FY11 - FY21 Total Revenue

14% CAGR

FY11 – FY21 Recurring Revenue



- Recurring 95% of total revenue in 2021
- History of double-digit growth despite one-time services drag
- Execution of successful M&A strategy grows the revenue base and accelerates growth and shift to the cloud
- Multiple levers to drive meaningful growth going forward

Non-GAAP Revenue. Beginning with 2016, results reflect adoption of ASC 606.

Acquisitions grow the revenue base and accelerate growth

2016



2017



2018



2019



2021



~\$285M

Estimated recurring
revenue contribution
from recent acquisitions

Acquisition Strategy:



Expand TAM into
near adjacencies



Accelerate shift
to the cloud



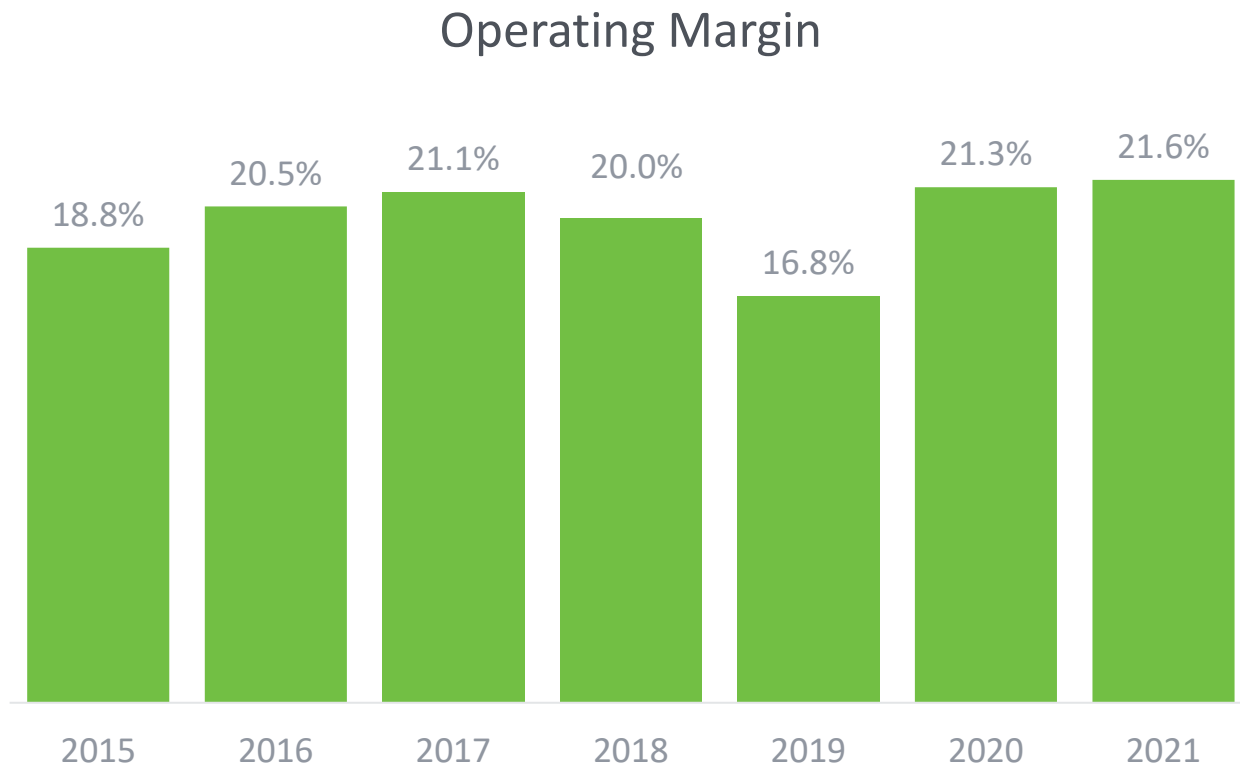
Accelerate revenue
growth



Accretive to operating
margin

Non-GAAP recurring revenue from acquisitions of Smart Tution, AcademicWorks, JustGiving, Reeher, YourCause and EVERFI (closed on December 31, 2021 and based on Non-GAAP guidance issued on 2/22/22); acquisition criteria calls for investments to be accretive to operating margins over time.

Revenue growth and scalability drive strong profitability with future margin expansion opportunity



Operating Margin

Leverage opportunities for future expansion:

Go-to-Market Efficiency

Focusing on digital first lead generation, market coverage and sales velocity

Engineering and Innovation

Invest in innovative cloud solutions

Migration to Public Cloud Infrastructure

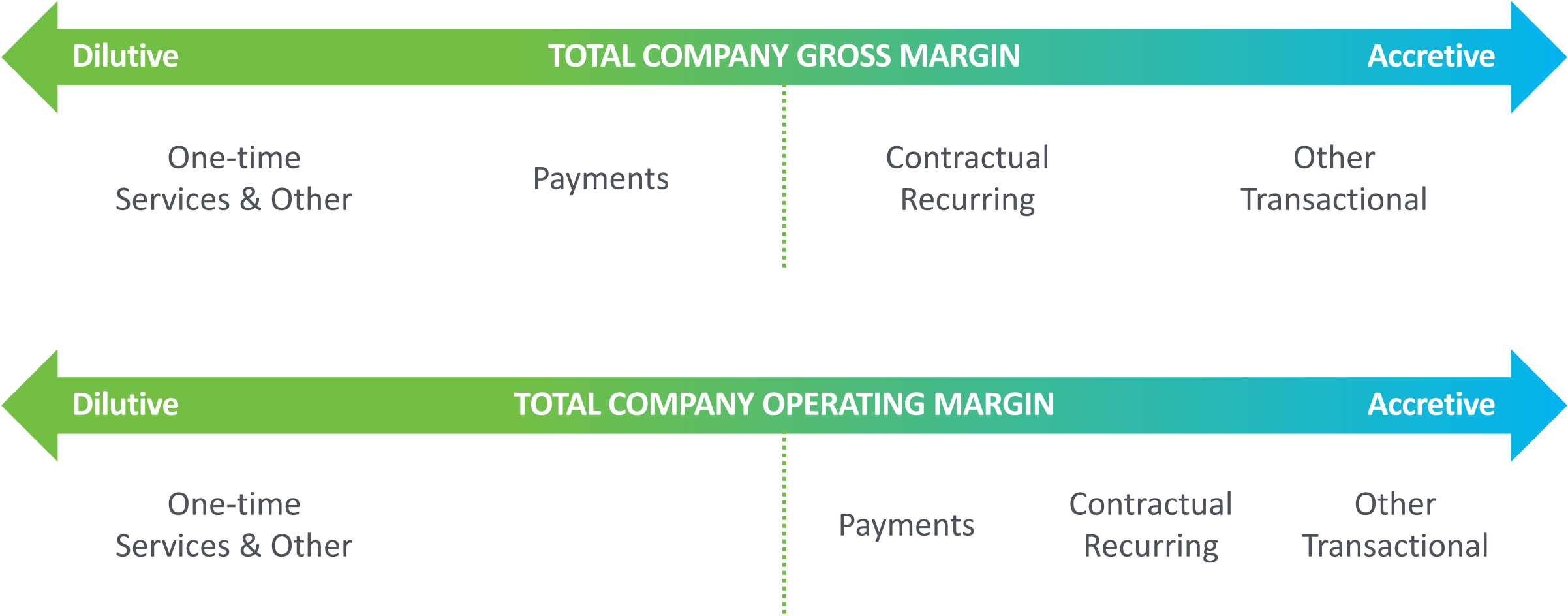
Enhanced scalability and security

Operational Scale and Efficiency

Continuous simplification, automation and efficiency gains

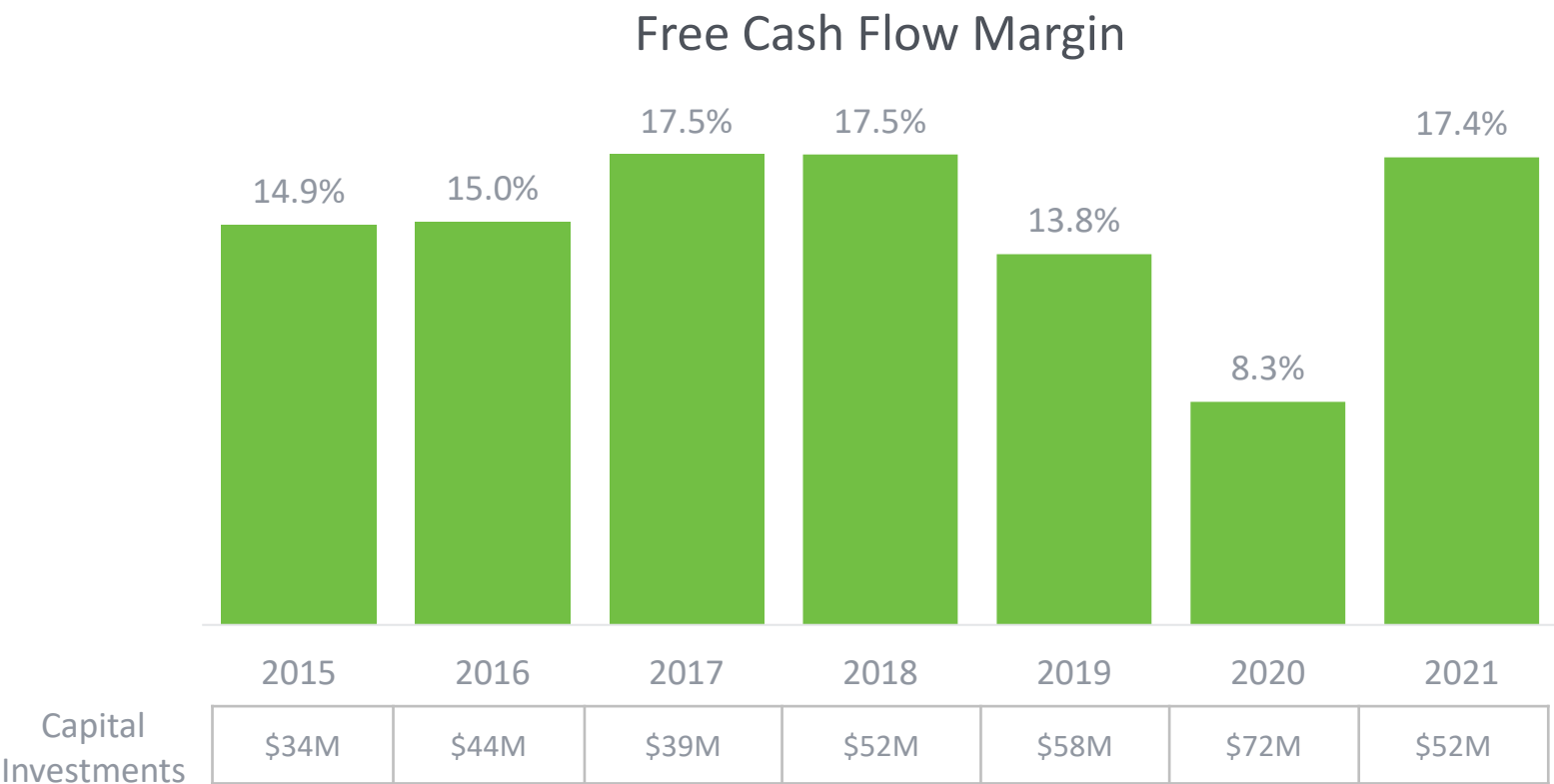
Non-GAAP operating margin. Beginning with 2016, results reflect adoption of ASC 606.

Leverage opportunities exist within gross and operating margin



2021 Non-GAAP gross margin and operating margin.

Strong free cash flow generation

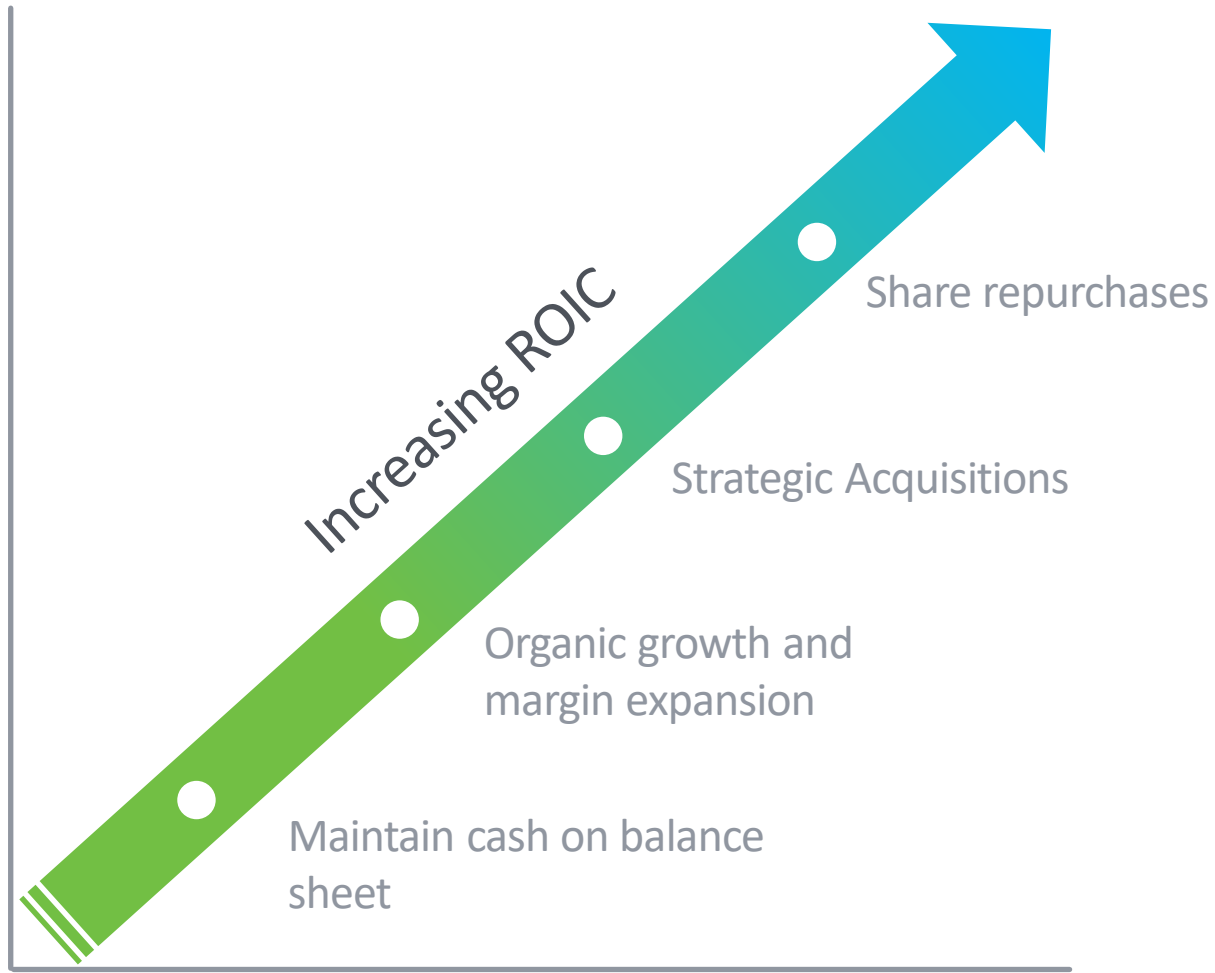


Free Cash Flow Highlights

- Free cash flow margins inclusive of investments:
- Focused on go-to-market model
 - Innovation and new solution builds
 - Security and cloud infrastructure
 - Global workplace strategy

Non-GAAP free cash flow is defined as operating cash flow less capital expenditures, including costs required to be capitalized for software development, and capital expenditures for property and equipment.

Capital strategy increases shareholder value



1

Maintain liquidity and access to capital

- Oct 2020 amended, extended and expanded credit facility to \$900M, Dec 2021 exercised accordion feature for incremental term loan of \$250M
- Maximum allowable leverage: 4.0x

2

Accelerate performance in Rule of 40 framework

- Capital investments consistent with solution roadmap and strategy
- Constant pursuit of operational efficiencies
- Drives future cash generation

3

Return capital to shareholders

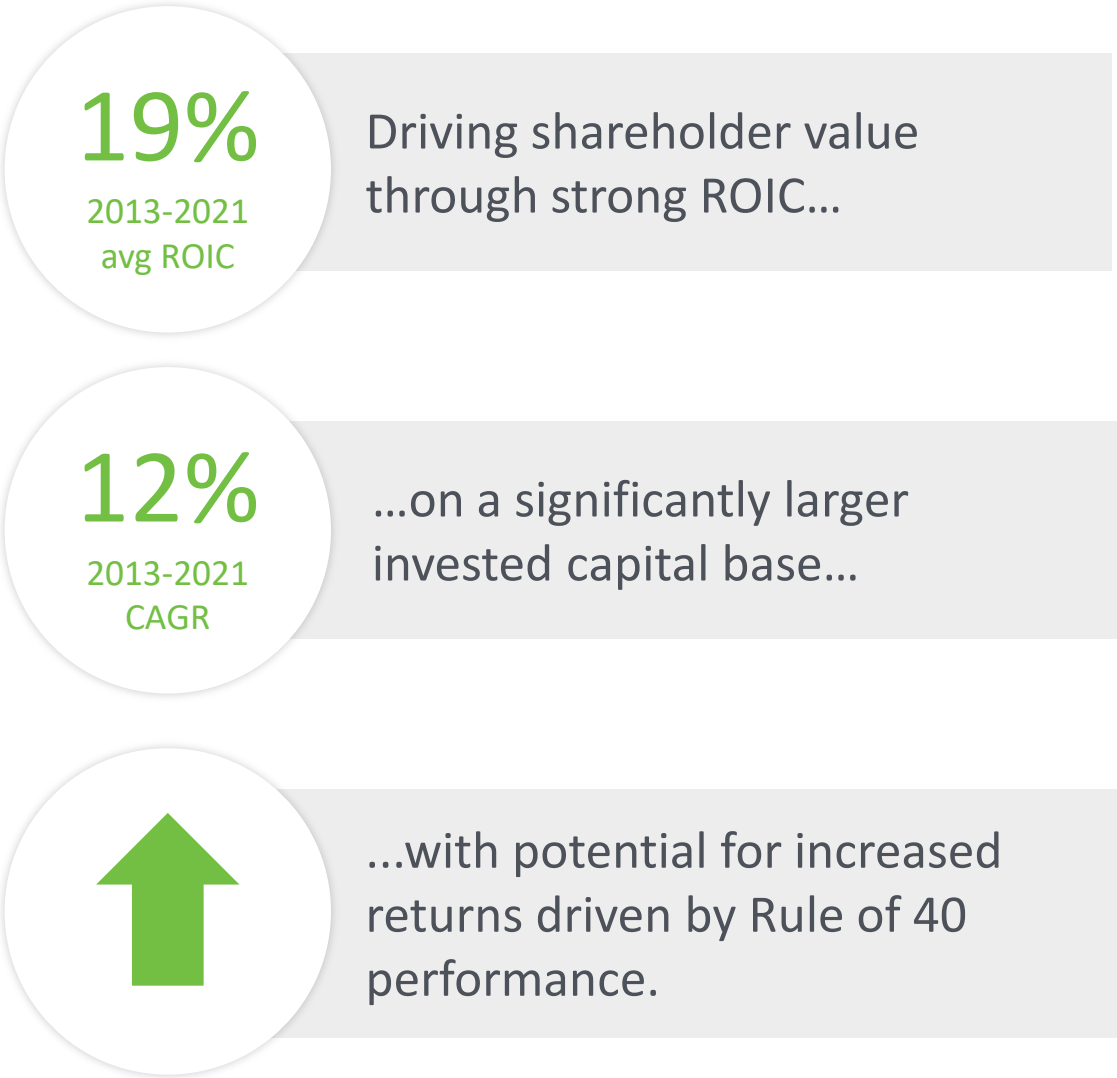
- Pursue share repurchases when internal estimates determine the company's shares are undervalued by the market and adequate capital is available
- November 2020 expanded share repurchase authorization from \$50M to \$250M; ~\$149M repurchased since November 2020
- Dec 2021 Board re-authorized and replenished share repurchase program for up to an additional \$250M

Proven history of rapid deleveraging post-acquisition



Note: Current covenant for leverage ratio is less than or equal to 4.0x through Q4 2023, then drops to 3.75x through maturity. Calculation of debt over TTM EBITDA is based on credit agreement in place at the end of the respective reporting quarter.

Generating strong returns on invested capital



(1) See appendix for detailed ROIC calculation

Financial performance exceeded expectations in 2021

| | Downside Scenario | Original Best Estimate | Upside Scenario | FY 2021 Actuals |
|------------------------|-------------------|------------------------|-----------------|-----------------|
| Total Revenue | \$870-\$890M | \$900M+ | \$910-\$920M | \$928M |
| Adjusted EBITDA Margin | 25%+ | | | 26.5% |
| Free Cash Flow | \$100M+ floor | | | \$162M |

Non-GAAP Revenue, non-GAAP adjusted EBITDA margin and non-GAAP free cash flow. Non-GAAP Revenue estimates shown on constant currency basis. 2021 estimates provided on 2/9/2021 and updated as of 11/3/2021.

Blackbaud + EVERFI: A Powerful Combination for Social Good

blackbaud®

EVERFI

Advances Blackbaud's position as a leading technology partner

in the large and fast-growing environmental, social and governance (ESG) and corporate social responsibility (CSR) spaces

Category-creating Impact-as-a-Service™ leader

with substantial growth synergy driven by cross-sell opportunity with YourCause™

Shared sense of purpose and complementary missions

retaining founders and leadership team

Doubles Blackbaud's total addressable market (TAM)

opportunity to \$20B+
underpinned by long-term ESG growth trends and strong enterprise corporate relationships

Blackbaud + EVERFI: 2022 Financial Profile

| | Blackbaud FY 2021 | Assumptions at mid-point of 2022 Financial Guidance | |
|-------------------------|----------------------|---|-------------------|
| | | Blackbaud FY 2022 (excludes EVERFI) | EVERFI FY 2022 |
| Total Revenue | \$928M | ~\$965M | ~\$120M |
| Total Revenue Growth | 1.6% | ~4% | ~15% |
| Adjusted EBITDA | \$246M | ~\$250M | ~\$13M |
| Rule of 40 ¹ | 27% | ~30% | ~26% |



EVERFI will be immediately accretive to organic revenue growth, accelerating Blackbaud's long-term financial goals to achieve mid to high single digit growth in 2022



EVERFI is profitable with potential for material margin upside as integration work is completed and through the pursuit of both revenue and cost synergies



EVERFI expected to be accretive to Blackbaud's Rule of 40 in the coming years through the combination of sustainable double-digit revenue growth and improving margin profile

¹Rule of 40 measured by non-GAAP organic revenue growth on constant currency basis plus non-GAAP adjusted EBITDA margin on constant currency basis.

Non-GAAP. Guidance issued 2/22/2022. Mid-point presented for illustration only, not as a prediction of 2022 performance.

2022 Total Company Guidance


| | | Mid-Point |
|-------------------------|---------------------|-----------------|
| Total Revenue | \$1,075M – \$1,095M | \$1,085M |
| Adjusted EBITDA Margin | 24% – 24.5% | 24.3% |
| Diluted EPS | \$2.63 – \$2.82 | \$2.73 |
| Adjusted Free Cash Flow | \$165M – \$175M | \$170M |


- ✓ Anticipating total revenue growth rate in the mid to high-teens
- ✓ Expect organic total revenue growth in the mid-single digits – accelerates timeline for original mid-term goal by several years
- ✓ Targeting ~30% on the Rule of 40 at constant currency which is a 250bps improvement over 2021


Non-GAAP. Guidance issued 2/22/2022. Mid-point presented for illustration only, not as a prediction of 2022 performance. Assumptions included in full year 2022 financial guidance: Non-GAAP annualized effective tax rate of 20%; Interest expense for the year of \$30M - \$33M; Fully diluted shares for the year in the range of 52M - 53.5M; Capital expenditures for the year in the range of \$60M - \$70M, including \$45M to \$55M of capitalized software 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 development, capital expenditures for property and equipment, and less 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 December 31 2021, Blackbaud has not recorded a loss contingency related to the Security Incident as it is unable to reasonably estimate the possible amount or range of such loss. Please refer to the section below titled "Non-GAAP Financial Measures" for more information on Blackbaud's use of non-GAAP financial measures.

Accelerating financial goals within Rule of 40 framework

- 

Substantial acceleration in near-term organic revenue growth profile and Rule of 40 performance
- 

Mid to high single-digit organic revenue growth moves from aspirational target to mid-term expectation
- 

Increased line of sight into long-term goal of achieving Rule of 40 with elevated organic revenue growth profile

| | Near-Term | | Mid-Term | | Long-Term | |
|---------------------------------|------------------|----------|-----------------------------------|---------------------------|----------------------------|-----------------------------------|
| | Current | Prior | Current | Prior | Current | Prior |
| | FY 2022 Guidance | FY 2021 | 2024-2025 | 3-4 Years Post-Pandemic | 2027-2028 | Aspirational |
| Non-GAAP Organic Revenue Growth | ~4% - 6% | Variable | Mid to High Single-Digit Annually | Mid Single-Digit Annually | High Single-Digit Annually | Mid to High Single-Digit Annually |
| Rule of 40 ¹ | ~28% - 31% | 25%+ | 35%+ | 35%+ | 40%+ | 40%+ |

¹Rule of 40 measured by non-GAAP organic revenue growth + non-GAAP Adjusted EBITDA margin. Financial goals represent full year targets. Non-GAAP adjusted EBITDA is defined as GAAP net income plus interest, net; income tax provision; depreciation; amortization of intangible assets from business combinations; amortization of software development costs; acquisition-related deferred revenue write-down; stock-based compensation; acquisition-related integration costs; acquisition-related expenses; employee severance; and restructuring and other real estate activities. Please refer to the appendix of this presentation.

Multiple organic growth drivers going forward

High Single-Digit Organic Growth

Near-term Growth Drivers

1. Bookings return to pre-pandemic levels
2. Return of in-person events began in 2021 and expected to continue in 2022
3. Capitalize on accelerated shift to online payments
4. Drag from one-time services bottoms in 2022 - ~200bps drag on 2021 total revenue growth

Capture New Pricing Opportunities

5. Bring proven international pricing innovation to the U.S.
6. Pricing in line with market – two programs underway

Execute Current Growth Initiatives

7. Accelerate bookings performance through increased sales velocity and productivity
8. Capture land and expand opportunity created by growing product portfolio
9. Maximize value from partner program
10. Improve on already strong retention rates

Revenue growth and scalability drive margin expansion

Rule of 40

Go-To-Market Efficiency

1. Reduce customer acquisition cost and improve payback period
2. Increase sales velocity

Innovation and Infrastructure

3. Innovation in the cloud drives lower cost operating structure
4. Shift to third-party cloud infrastructure

Operational Scale and Efficiency

5. Remote-first workforce strategy drives real estate savings
6. Pricing optimization
7. Continuous simplification, automation, and efficiency gains

Maximizing shareholder value



Large, resilient and growing global markets allow for multiple levers to accelerate revenue growth



Committed to a clear strategy focused on achieving “Rule of 40”



Rapidly **innovating for our customers** and positioned to capture **digital shift** in our markets



Executing a proven capital allocation strategy to **increase shareholder value**

Appendix

Return on Invested Capital (ROIC) Calculation

(dollars in millions)

| | <u>2021</u> |
|--|-----------------------|
| Total Assets | \$2,965 |
| Less: Restricted cash and customer funds receivable | (598) |
| Less: Non-interest bearing current liabilities | (401) |
| Add: Accumulated depreciation | 58 |
| Add: Accumulated amortization of software development | 75 |
| Add: Accumulated amortization of ROU assets ¹ | 24 |
| Add: Accumulated amortization of intangibles | 213 |
| Less: Purchase price of 2021 acquisition ² | (723) |
| Add: Research & development (excluding stock-based compensation) 3Y Expense ³ | 274 |
| Invested Capital | <u>\$1,888</u> |
| Income from Operations | 25 |
| Add: Rent/Lease expense | 11 |
| Add: Depreciation | 14 |
| Add: Amortization of software development | 33 |
| Add: Amortization of intangibles | 37 |
| EBITDA ⁴ | <u>120</u> |
| Add: Stock-based compensation | 120 |
| Add: R&D Exp (excl SBC) | 97 |
| Adjusted EBITDA ⁴ | <u>338</u> |
| Less: Implied taxes (assumes 20% tax rate) | (5) |
| Adjusted NOPAT ⁴ | <u>\$333</u> |
| Return on invested capital (ROIC) | <u>17.6%</u> |

(1) With adoption of ASC842 and subsequent addition of right-of-use assets on the balance sheet, value of leased assets is replaced

(2) EVERFI acquired on 12/31/21

(3) Sum of previous three years R&D expense excluding any stock-based compensation

(4) Non-GAAP EBITDA, Adjusted EBITDA, Adjusted NOPAT

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

| (dollars in thousands) | Years ended | | Three months ended | | | | Year ended | Three months ended | | | |
|--|--------------|------------|--------------------|--------------|---------------|---------------|------------|--------------------|------------|------------|------------|
| | 12/31/2021 | 12/31/2020 | 12/31/2021 | 09/30/2021 | 06/30/2021 | 03/31/2021 | 12/31/2020 | 12/31/2020 | 09/30/2020 | 06/30/2020 | 03/31/2020 |
| GAAP revenue | \$ 927,740 | \$ 913,219 | \$ 247,891 | \$ 231,218 | \$ 229,440 | \$ 219,191 | \$ 913,219 | \$ 242,606 | \$ 215,001 | \$ 231,991 | \$ 223,621 |
| GAAP revenue growth | 1.6 % | | 2.2 % | 7.5 % | (1.1)% | (2.0)% | | | | | |
| Add: Non-GAAP acquisition-related revenue ⁽¹⁾ | — | — | — | — | — | — | — | — | — | — | — |
| Non-GAAP organic revenue ⁽²⁾ | \$ 927,740 | \$ 913,219 | \$ 247,891 | \$ 231,218 | \$ 229,440 | \$ 219,191 | \$ 913,219 | \$ 242,606 | \$ 215,001 | \$ 231,991 | \$ 223,621 |
| Non-GAAP organic revenue growth | 1.6 % | | 2.2 % | 7.5 % | (1.1)% | (2.0)% | | | | | |
| Non-GAAP organic revenue ⁽²⁾ | \$ 927,740 | \$ 913,219 | \$ 247,891 | \$ 231,218 | \$ 229,440 | \$ 219,191 | 913,219 | \$ 242,606 | \$ 215,001 | \$ 231,991 | \$ 223,621 |
| Foreign currency impact on Non-GAAP organic revenue ⁽³⁾ | (9,162) | — | (770) | (2,049) | (4,390) | (1,953) | — | — | — | — | — |
| Non-GAAP organic revenue on constant currency basis ⁽³⁾ | \$ 918,578 | \$ 913,219 | \$ 247,121 | \$ 229,169 | \$ 225,050 | \$ 217,238 | \$ 913,219 | \$ 242,606 | \$ 215,001 | \$ 231,991 | \$ 223,621 |
| Non-GAAP organic revenue growth on constant currency basis | 0.6 % | | 1.9 % | 6.6 % | (3.0)% | (2.9)% | | | | | |
| GAAP recurring revenue | 880,850 | 850,745 | 238,584 | 218,530 | 216,986 | 206,750 | 850,745 | 229,516 | 200,102 | 216,260 | 204,867 |
| GAAP recurring revenue growth | 3.5 % | | 4.0 % | 9.2 % | 0.3 % | 0.9 % | | | | | |
| Add: Non-GAAP acquisition-related recurring revenue ⁽¹⁾ | — | — | — | — | — | — | — | — | — | — | — |
| Non-GAAP organic recurring revenue | \$ 880,850 | \$ 850,745 | \$ 238,584 | \$ 218,530 | \$ 216,986 | \$ 206,750 | \$ 850,745 | \$ 229,516 | \$ 200,102 | \$ 216,260 | \$ 204,867 |
| Non-GAAP organic recurring revenue growth | 3.5 % | | 4.0 % | 9.2 % | 0.3 % | 0.9 % | | | | | |

(1) Non-GAAP acquisition-related revenue excludes incremental acquisition-related revenue calculated in accordance with GAAP that is attributable to companies acquired in the current fiscal year. For companies acquired in the immediately preceding fiscal year, non-GAAP acquisition-related revenue reflects presentation of full-year incremental non-GAAP revenue derived from such companies, as if they were combined throughout the prior period.

(2) Non-GAAP organic 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 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 | | Years ended | |
|--|--------------------|-------------|-------------|------------|
| | 12/31/2021 | 12/31/2020 | 12/31/2021 | 12/31/2020 |
| GAAP net income | \$ (7,057) | \$ (13,621) | \$ 5,698 | \$ 7,717 |
| Non-GAAP adjustments: | | | | |
| Add: Interest, net | 3,751 | 4,976 | 17,611 | 15,627 |
| Add: GAAP income tax (benefit) provision | (3,561) | 6,949 | 1,385 | 13,897 |
| Add: Depreciation ⁽¹⁾ | 3,200 | 3,731 | 12,686 | 14,589 |
| Add: Amortization of intangibles from business combinations | 8,762 | 9,829 | 37,039 | 41,883 |
| Add: Amortization of software development costs ⁽²⁾ | 8,743 | 7,712 | 32,811 | 32,540 |
| Subtotal | 20,895 | 33,197 | 101,532 | 118,536 |
| Non-GAAP EBITDA | \$ 13,838 | \$ 19,576 | \$ 107,230 | \$ 126,253 |
| Non-GAAP EBITDA margin | 5.6 % | | 11.6 % | |
| Non-GAAP adjustments: | | | | |
| Add: Stock-based compensation expense | 30,899 | 32,701 | 120,379 | 87,257 |
| Add: Employee severance | — | 282 | 1,510 | 4,875 |
| Add: Acquisition-related integration costs | (9) | (16) | (124) | (134) |
| Add: Acquisition-related expenses | 2,982 | 65 | 3,178 | 353 |
| Add: Restructuring and other real estate activities | 12,515 | 16,273 | 12,102 | 23,290 |
| Add: Security Incident-related costs, net of insurance ⁽³⁾ | 493 | — | 1,814 | — |
| Subtotal | 46,880 | 49,305 | 138,859 | 115,641 |
| Non-GAAP adjusted EBITDA | \$ 60,718 | \$ 68,881 | \$ 246,089 | \$ 241,894 |
| Non-GAAP adjusted EBITDA margin | 24.5 % | | 26.5 % | |
| Rule of 40⁽⁴⁾ | 26.7 % | | 28.1 % | |
| Non-GAAP adjusted EBITDA | 60,718 | 68,881 | 246,089 | 241,894 |
| Foreign currency impact on Non-GAAP adjusted EBITDA ⁽⁵⁾ | (294) | (111) | (3,622) | 716 |
| Non-GAAP adjusted EBITDA on constant currency basis⁽⁵⁾ | \$ 60,424 | \$ 68,770 | \$ 242,467 | \$ 242,610 |
| Non-GAAP adjusted EBITDA margin on constant currency basis | 24.5 % | | 26.4 % | |
| Rule of 40 on constant currency basis⁽⁶⁾ | 26.4 % | | 27.0 % | |

(1) During the third quarter of 2020 and the fourth quarter of 2021, we reduced the estimated useful lives of our operating lease right-of-use assets for certain of our office locations we expected to exit. For these same office locations, we also reduced the estimated useful lives of certain facilities-related fixed assets, which resulted in increases in depreciation expense. The accelerated portions of the fixed asset depreciation expense related to these activities of \$1.7 million and \$3.2 million for the three months ended December 31, 2021 and 2020, respectively, and \$1.7 million and \$4.6 million for the twelve months ended December 31, 2021 and 2020, respectively, was presented in the "Restructuring and other real estate activities" line of the reconciliation of GAAP to non-GAAP financial measures. Total depreciation expense was \$4.9 million and \$6.9 million, for the three months ended December 31, 2021 and 2020, respectively, and \$14.4 million and \$19.2 million for the twelve months ended December 31, 2021 and 2020, respectively.

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

(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. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

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

(5) 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.

(6) Measured by non-GAAP organic revenue growth on constant currency basis plus non-GAAP adjusted EBITDA margin on constant currency basis.

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

| Three Months Ended December 31, 2021 | | | | | | | | | | | |
|--|-------------------|----------------------------------|--|--------------------|---------------------------------------|------------------------------|--|--|-------------------------------|---------------|----------------|
| (in thousands, except per share amounts) | GAAP | Stock-based Compensation Expense | Amortization of Intangibles from Business Combinations | Employee Severance | Acquisition-related Integration Costs | Acquisition-related Expenses | Restructuring and Other Real Estate Activities | Security Incident-related costs, net of insurance ⁽¹⁾ | Non-GAAP Adjustments Subtotal | Non-GAAP | |
| Revenue | | | | | | | | | | | |
| Recurring | \$ 238,584 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ | 238,584 |
| One-time services and other | 9,307 | — | — | — | — | — | — | — | — | — | 9,307 |
| Total revenue | 247,891 | — | — | — | — | — | — | — | — | — | 247,891 |
| Cost of revenue | | | | | | | | | | | |
| Cost of recurring | 111,680 | (3,505) | (7,823) | — | — | — | — | — | (11,328) | | 100,352 |
| Cost of one-time services and other | 12,379 | (1,589) | (386) | — | — | — | — | — | (1,975) | | 10,404 |
| Total cost of revenue | 124,059 | (5,094) | (8,209) | — | — | — | — | — | (13,303) | | 110,756 |
| Gross profit | 123,832 | 5,094 | 8,209 | — | — | — | — | — | 13,303 | | 137,135 |
| <i>Recurring gross margin</i> | <i>53.2 %</i> | | | | | | | | | <i>4.7 %</i> | <i>57.9 %</i> |
| <i>One-time services and other gross margin</i> | <i>(33.0)%</i> | | | | | | | | | <i>21.2 %</i> | <i>(11.8)%</i> |
| Total gross margin | 50.0 % | | | | | | | | | 5.3 % | 55.3 % |
| Operating expenses | | | | | | | | | | | |
| Sales, marketing and customer success | 47,366 | (5,235) | — | — | — | — | — | — | (5,235) | | 42,131 |
| Research and development | 33,606 | (7,355) | — | — | — | — | — | — | (7,355) | | 26,251 |
| General and administrative | 48,934 | (13,215) | — | — | 9 | (2,982) | (12,515) | (493) | (29,196) | | 19,738 |
| Amortization | 553 | — | (553) | — | — | — | — | — | (553) | | — |
| Restructuring | — | — | — | — | — | — | — | — | — | | — |
| Total operating expenses | 130,459 | (25,805) | (553) | — | 9 | (2,982) | (12,515) | (493) | (42,339) | | 88,120 |
| Income from operations | (6,627) | 30,899 | 8,762 | — | (9) | 2,982 | 12,515 | 493 | 55,642 | | 49,015 |
| Total operating margin | (2.7)% | | | | | | | | | 22.5 % | 19.8 % |
| Net (loss) income | \$ (7,057) | | | | | | | | | \$ | 36,019 |
| Shares used in computing diluted (loss) earnings per share | 46,990 | | | | | | | | | | 48,106 |
| Diluted (loss) earnings per share | \$ (0.15) | | | | | | | | | \$ | 0.75 |

(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. 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)

| Year Ended December 31, 2021 | | | | | | | | | | | |
|---|------------|----------------------------------|--|--------------------|---------------------------------------|------------------------------|--|--|-------------------------------|----------|---------|
| (in thousands, except per share amounts) | GAAP | Stock-based Compensation Expense | Amortization of Intangibles from Business Combinations | Employee Severance | Acquisition-related Integration Costs | Acquisition-related Expenses | Restructuring and Other Real Estate Activities | Security Incident-related costs, net of insurance ⁽¹⁾ | Non-GAAP Adjustments Subtotal | Non-GAAP | |
| Revenue | | | | | | | | | | | |
| Recurring | \$ 880,850 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | 880,850 |
| One-time services and other | 46,890 | — | — | — | — | — | — | — | — | — | 46,890 |
| Total revenue | 927,740 | — | — | — | — | — | — | — | — | — | 927,740 |
| Cost of revenue | | | | | | | | | | | |
| Cost of recurring | 390,803 | (12,405) | (33,132) | — | — | — | — | — | (45,537) | | 345,266 |
| Cost of one-time services and other | 52,392 | (7,547) | (1,680) | (29) | — | — | — | — | (9,256) | | 43,136 |
| Total cost of revenue | 443,195 | (19,952) | (34,812) | (29) | — | — | — | — | (54,793) | | 388,402 |
| Gross profit | 484,545 | 19,952 | 34,812 | 29 | — | — | — | — | 54,793 | | 539,338 |
| Recurring gross margin | 55.6 % | | | | | | | | | 5.2 % | 60.8 % |
| One-time services and other gross margin | (11.7)% | | | | | | | | | 19.7 % | 8.0 % |
| Total Gross Margin | 52.2 % | | | | | | | | | 5.9 % | 58.1 % |
| Operating expenses | | | | | | | | | | | |
| Sales, marketing and customer success | 186,314 | (20,283) | — | (1,342) | — | — | — | — | (21,625) | | 164,689 |
| Research and development | 124,573 | (27,080) | — | (36) | — | — | — | — | (27,116) | | 97,457 |
| General and administrative | 146,262 | (53,064) | — | (103) | 124 | (3,178) | (11,839) | (1,814) | (69,874) | | 76,388 |
| Amortization | 2,227 | — | (2,227) | — | — | — | — | — | (2,227) | | — |
| Restructuring | 263 | — | — | — | — | — | (263) | — | (263) | | — |
| Total operating expenses | 459,639 | (100,427) | (2,227) | (1,481) | 124 | (3,178) | (12,102) | (1,814) | (121,105) | | 338,534 |
| Income from operations | 24,906 | 120,379 | 37,039 | 1,510 | (124) | 3,178 | 12,102 | 1,814 | 175,898 | | 200,804 |
| Total Operating Margin | 2.7 % | | | | | | | | | 18.9 % | 21.6 % |
| Net Income | \$ 5,698 | | | | | | | | | \$ | 146,384 |
| Shares used in computing diluted earnings per share | 48,230 | | | | | | | | | | 48,230 |
| Diluted earnings per share | \$ 0.12 | | | | | | | | | \$ | 3.04 |

(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. 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 December 31, 2020 | | | | | | | | | | |
|--|--------------------|----------------------------------|--|--------------------|---------------------------------------|------------------------------|--|-------------------------------|-----------|----------------|
| (in thousands, except per share amounts) | GAAP | Stock-based Compensation Expense | Amortization of Intangibles from Business Combinations | Employee Severance | Acquisition-related Integration Costs | Acquisition-related Expenses | Restructuring and Other Real Estate Activities | Non-GAAP Adjustments Subtotal | Non-GAAP | |
| Revenue | | | | | | | | | | |
| Recurring | \$ 229,516 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | 229,516 |
| One-time services and other | 13,090 | — | — | — | — | — | — | — | — | 13,090 |
| Total revenue | 242,606 | — | — | — | — | — | — | — | — | 242,606 |
| Cost of revenue | | | | | | | | | | |
| Cost of recurring | 104,509 | (2,564) | (9,546) | (86) | — | — | — | (12,196) | | 92,313 |
| Cost of one-time services and other | 15,067 | (3,687) | 413 | (8) | — | — | — | (3,282) | | 11,785 |
| Total cost of revenue | 119,576 | (6,251) | (9,133) | (94) | — | — | — | (15,478) | | 104,098 |
| Gross profit | 123,030 | 6,251 | 9,133 | 94 | — | — | — | 15,478 | | 138,508 |
| <i>Recurring gross margin</i> | <i>54.5 %</i> | | | | | | | <i>5.3 %</i> | | <i>59.8 %</i> |
| <i>One-time services and other gross margin</i> | <i>(15.1)%</i> | | | | | | | <i>25.1 %</i> | | <i>10.0 %</i> |
| Total Gross Margin | 50.7 % | | | | | | | 6.4 % | | 57.1 % |
| Operating expenses | | | | | | | | | | |
| Sales, marketing and customer success | 50,613 | (5,429) | — | (57) | — | — | — | (5,486) | | 45,127 |
| Research and development | 27,491 | (7,282) | — | (134) | — | — | — | (7,416) | | 20,075 |
| General and administrative | 45,023 | (13,739) | — | 3 | 16 | (65) | (16,216) | (30,001) | | 15,022 |
| Amortization | 696 | — | (696) | — | — | — | — | (696) | | — |
| Restructuring | 57 | — | — | — | — | — | (57) | (57) | | — |
| Total operating expenses | 123,880 | (26,450) | (696) | (188) | 16 | (65) | (16,273) | (43,656) | | 80,224 |
| Income from operations | (850) | 32,701 | 9,829 | 282 | (16) | 65 | 16,273 | 59,134 | | 58,284 |
| Total Operating Margin | (0.4)% | | | | | | | 24.4 % | | 24.0 % |
| Net (loss) income | \$ (13,621) | | | | | | | | \$ | 41,970 |
| Shares used in computing diluted (loss) earnings per share | 48,190 | | | | | | | | | 49,097 |
| Diluted (loss) earnings per share | \$ (0.28) | | | | | | | | \$ | 0.85 |

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

| Year Ended December 31, 2020 | | | | | | | | | |
|---|-----------------|----------------------------------|--|--------------------|---------------------------------------|------------------------------|--|-------------------------------|----------------|
| (in thousands, except per share amounts) | GAAP | Stock-based Compensation Expense | Amortization of Intangibles from Business Combinations | Employee Severance | Acquisition-related Integration Costs | Acquisition-related Expenses | Restructuring and Other Real Estate Activities | Non-GAAP Adjustments Subtotal | Non-GAAP |
| Revenue | | | | | | | | | |
| Recurring | \$ 850,745 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 850,745 |
| One-time services and other | 62,474 | — | — | — | — | — | — | — | 62,474 |
| Total revenue | 913,219 | — | — | — | — | — | — | — | 913,219 |
| Cost of revenue | | | | | | | | | |
| Cost of recurring | 369,681 | (5,793) | (36,835) | (436) | — | — | — | (43,064) | 326,617 |
| Cost of one-time services and other | 58,384 | (7,581) | (2,133) | (471) | — | — | — | (10,185) | 48,199 |
| Total cost of revenue | 428,065 | (13,374) | (38,968) | (907) | — | — | — | (53,249) | 374,816 |
| Gross profit | 485,154 | 13,374 | 38,968 | 907 | — | — | — | 53,249 | 538,403 |
| <i>Recurring gross margin</i> | <i>56.5 %</i> | | | | | | | <i>5.1 %</i> | <i>61.6 %</i> |
| <i>One-time services and other gross margin</i> | <i>6.5 %</i> | | | | | | | <i>16.3 %</i> | <i>22.8 %</i> |
| Total Gross Margin | 53.1 % | | | | | | | 5.9 % | 59.0 % |
| Operating expenses | | | | | | | | | |
| Sales, marketing and customer success | 209,762 | (15,514) | — | (1,958) | — | — | — | (17,472) | 192,290 |
| Research and development | 100,146 | (18,527) | — | (821) | — | — | — | (19,348) | 80,798 |
| General and administrative | 134,852 | (39,842) | — | (1,189) | 134 | (353) | (23,054) | (64,304) | 70,548 |
| Amortization | 2,915 | — | (2,915) | — | — | — | — | (2,915) | — |
| Restructuring | 236 | — | — | — | — | — | (236) | (236) | — |
| Total operating expenses | 447,911 | (73,883) | (2,915) | (3,968) | 134 | (353) | (23,290) | (104,275) | 343,636 |
| Income from operations | 37,243 | 87,257 | 41,883 | 4,875 | (134) | 353 | 23,290 | 157,524 | 194,767 |
| Total Operating Margin | 4.1 % | | | | | | | 17.2 % | 21.3 % |
| Net Income | \$ 7,717 | | | | | | | \$ | 143,311 |
| Shares used in computing diluted earnings per share | 48,696 | | | | | | | | 48,696 |
| Diluted earnings per share | \$ 0.16 | | | | | | | \$ | 2.94 |

Historical Consolidated Balance Sheets (Unaudited)

| (in thousands) | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 24,972 | \$ 30,531 | \$ 30,563 | \$ 35,750 | \$ 27,753 | \$ 28,288 | \$ 27,591 | \$ 55,146 |
| Restricted cash due to customers | 232,250 | 421,915 | 203,660 | 609,219 | 255,158 | 434,567 | 216,122 | 596,616 |
| Accounts receivable, net of allowance | 89,191 | 129,675 | 96,830 | 95,404 | 83,333 | 119,270 | 105,873 | 102,726 |
| Customer funds receivable | 1,205 | 1,284 | 4,901 | 321 | 945 | 5,390 | 6,076 | 977 |
| Prepaid expenses and other current assets | 81,004 | 83,699 | 76,761 | 78,366 | 98,095 | 103,493 | 102,319 | 95,506 |
| Total current assets | 428,622 | 667,104 | 412,715 | 819,060 | 465,284 | 691,008 | 457,981 | 850,971 |
| Property and equipment, net | 35,661 | 36,539 | 109,469 | 105,177 | 105,124 | 104,914 | 103,346 | 111,428 |
| Operating lease right-of-use assets | 100,568 | 95,575 | 30,218 | 22,671 | 20,055 | 22,630 | 19,652 | 53,883 |
| Software development costs, net | 105,594 | 106,044 | 108,891 | 111,827 | 113,624 | 116,562 | 118,860 | 121,377 |
| Goodwill | 631,033 | 630,687 | 632,840 | 635,854 | 637,113 | 637,510 | 635,912 | 1,076,482 |
| Intangible assets, net | 303,097 | 292,187 | 284,414 | 277,506 | 269,118 | 260,072 | 249,494 | 673,952 |
| Other assets | 66,346 | 68,673 | 72,617 | 72,639 | 74,022 | 70,666 | 69,699 | 77,266 |
| Total assets | \$ 1,670,921 | \$ 1,896,809 | \$ 1,651,164 | \$ 2,044,734 | \$ 1,684,340 | \$ 1,903,362 | \$ 1,654,944 | \$ 2,965,359 |
| Liabilities and stockholders' equity | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Trade accounts payable | \$ 44,510 | \$ 41,029 | \$ 31,775 | \$ 27,836 | \$ 35,274 | \$ 30,605 | \$ 38,388 | \$ 22,067 |
| Accrued expenses and other current liabilities | 45,781 | 52,893 | 48,380 | 52,228 | 53,013 | 55,808 | 58,579 | 100,096 |
| Due to customers | 233,455 | 423,199 | 207,356 | 608,264 | 254,947 | 438,633 | 220,785 | 594,273 |
| Debt, current portion | 10,351 | 9,194 | 10,305 | 12,840 | 12,875 | 12,911 | 12,948 | 18,697 |
| Deferred revenue, current portion | 288,682 | 332,570 | 322,452 | 312,236 | 290,025 | 339,670 | 329,426 | 374,499 |
| Total current liabilities | 622,779 | 858,885 | 620,268 | 1,013,404 | 646,134 | 877,627 | 660,126 | 1,109,632 |
| Debt, net of current portion | 520,576 | 478,919 | 497,953 | 518,193 | 537,924 | 531,973 | 514,418 | 937,483 |
| Deferred tax liability | 43,286 | 45,108 | 46,989 | 54,086 | 54,444 | 56,227 | 56,144 | 142,207 |
| Deferred revenue, net of current portion | 1,715 | 4,626 | 5,803 | 4,678 | 4,495 | 5,749 | 4,528 | 4,247 |
| Operating lease liabilities, net of current portion | 91,235 | 86,586 | 25,706 | 17,357 | 15,744 | 17,173 | 13,470 | 53,386 |
| Other liabilities | 10,937 | 11,883 | 12,610 | 10,866 | 9,439 | 9,339 | 9,421 | 1,344 |
| Total liabilities | 1,290,528 | 1,486,007 | 1,209,329 | 1,618,584 | 1,268,180 | 1,498,088 | 1,258,107 | 2,248,299 |
| Commitments and contingencies | | | | | | | | |
| Stockholders' equity: | | | | | | | | |
| Preferred stock | — | — | — | — | — | — | — | — |
| Common stock, \$0.001 par value | 61 | 61 | 61 | 61 | 62 | 62 | 62 | 66 |
| Additional paid-in capital | 471,344 | 491,450 | 512,269 | 544,963 | 574,958 | 605,486 | 634,406 | 968,927 |
| Treasury stock, at cost | (310,447) | (311,661) | (311,951) | (353,091) | (399,583) | (449,877) | (490,456) | (500,911) |
| Accumulated other comprehensive (loss) income | (14,140) | (14,476) | (8,872) | (2,497) | 4,163 | 6,291 | 3,319 | 6,522 |
| Retained earnings | 233,575 | 245,428 | 250,328 | 236,714 | 236,560 | 243,312 | 249,506 | 242,456 |
| Total stockholders' equity | 380,393 | 410,802 | 441,835 | 426,150 | 416,160 | 405,274 | 396,837 | 717,060 |
| Total liabilities and stockholders' equity | \$ 1,670,921 | \$ 1,896,809 | \$ 1,651,164 | \$ 2,044,734 | \$ 1,684,340 | \$ 1,903,362 | \$ 1,654,944 | \$ 2,965,359 |

The fair values assigned to the assets acquired and liabilities assumed in our acquisition of EVERFI are based on our best estimates and assumptions and are considered preliminary pending finalization. The estimates and assumptions are subject to change as we obtain additional information during the measurement period, which may be up to one year from the acquisition date. The assets and liabilities, pending finalization, include the valuation of intangible assets as well as the assumed deferred income tax balances.

Historical Consolidated Statements of Comprehensive Income (Unaudited)

| (in thousands, except share and per share amounts) | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | FY 2020 | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 | FY 2021 |
|--|-------------------|------------------|------------------|--------------------|------------------|-----------------|-----------------|-----------------|-------------------|------------------|
| Revenue | | | | | | | | | | |
| Recurring | \$ 204,867 | \$ 216,260 | \$ 200,102 | \$ 229,516 | \$ 850,745 | \$ 206,750 | \$ 216,986 | \$ 218,530 | \$ 238,584 | \$ 880,850 |
| One-time services and other | 18,754 | 15,731 | 14,899 | 13,090 | 62,474 | 12,441 | 12,454 | 12,688 | 9,307 | 46,890 |
| Total revenue | 223,621 | 231,991 | 215,001 | 242,606 | 913,219 | 219,191 | 229,440 | 231,218 | 247,891 | 927,740 |
| Cost of revenue | | | | | | | | | | |
| Cost of recurring | 89,551 | 91,370 | 84,251 | 104,509 | 369,681 | 88,865 | 94,435 | 95,823 | 111,680 | 390,803 |
| Cost of one-time services and other | 15,314 | 13,569 | 14,434 | 15,067 | 58,384 | 14,520 | 13,635 | 11,858 | 12,379 | 52,392 |
| Total cost of revenue | 104,865 | 104,939 | 98,685 | 119,576 | 428,065 | 103,385 | 108,070 | 107,681 | 124,059 | 443,195 |
| Gross profit | 118,756 | 127,052 | 116,316 | 123,030 | 485,154 | 115,806 | 121,370 | 123,537 | 123,832 | 484,545 |
| Operating expenses | | | | | | | | | | |
| Sales, marketing and customer success | 58,735 | 51,954 | 48,460 | 50,613 | 209,762 | 48,793 | 45,452 | 44,703 | 47,366 | 186,314 |
| Research and development | 24,977 | 24,895 | 22,783 | 27,491 | 100,146 | 29,179 | 30,222 | 31,566 | 33,606 | 124,573 |
| General and administrative | 25,855 | 29,842 | 34,132 | 45,023 | 134,852 | 30,587 | 32,008 | 34,733 | 48,934 | 146,262 |
| Amortization | 741 | 729 | 749 | 696 | 2,915 | 549 | 567 | 558 | 553 | 2,227 |
| Restructuring | 24 | 50 | 105 | 57 | 236 | 54 | 78 | 131 | — | 263 |
| Total operating expenses | 110,332 | 107,470 | 106,229 | 123,880 | 447,911 | 109,162 | 108,327 | 111,691 | 130,459 | 459,639 |
| Income (loss) from operations | 8,424 | 19,582 | 10,087 | (850) | 37,243 | 6,644 | 13,043 | 11,846 | (6,627) | 24,906 |
| Interest expense | (4,159) | (3,893) | (3,997) | (5,238) | (17,287) | (5,114) | (5,054) | (4,003) | (3,832) | (18,003) |
| Other income (expense), net | 1,070 | 630 | 542 | (584) | 1,658 | (1,010) | 487 | 862 | (159) | 180 |
| Income (loss) before provision (benefit) for income taxes | 5,335 | 16,319 | 6,632 | (6,672) | 21,614 | 520 | 8,476 | 8,705 | (10,618) | 7,083 |
| Income tax provision (benefit) | 696 | 4,496 | 1,756 | 6,949 | 13,897 | 684 | 1,745 | 2,517 | (3,561) | 1,385 |
| Net income (loss) | \$ 4,639 | \$ 11,823 | \$ 4,876 | \$ (13,621) | \$ 7,717 | \$ (164) | \$ 6,731 | \$ 6,188 | \$ (7,057) | \$ 5,698 |
| Earnings (loss) per share | | | | | | | | | | |
| Basic | \$ 0.10 | \$ 0.25 | \$ 0.10 | \$ (0.28) | \$ 0.16 | \$ — | \$ 0.14 | \$ 0.13 | \$ (0.15) | \$ 0.12 |
| Diluted | \$ 0.10 | \$ 0.24 | \$ 0.10 | \$ (0.28) | \$ 0.16 | \$ — | \$ 0.14 | \$ 0.13 | \$ (0.15) | \$ 0.12 |
| Common shares and equivalents outstanding | | | | | | | | | | |
| Basic weighted average shares | 48,036,300 | 48,239,928 | 48,271,139 | 48,190,388 | 48,184,714 | 47,363,197 | 47,756,326 | 47,542,746 | 46,989,624 | 47,412,306 |
| Diluted weighted average shares | 48,455,751 | 48,418,378 | 48,859,707 | 48,190,388 | 48,696,341 | 47,363,197 | 48,444,874 | 48,274,072 | 46,989,624 | 48,230,438 |
| Other comprehensive (loss) income | | | | | | | | | | |
| Foreign currency translation adjustment | (5,728) | (887) | 4,661 | 6,525 | 4,571 | 2,511 | 1,783 | (3,234) | (399) | 661 |
| Unrealized (loss) gain on derivative instruments, net of tax | (3,122) | 551 | 943 | (150) | (1,778) | 4,149 | 345 | 262 | 3,602 | 8,358 |
| Total other comprehensive (loss) income | (8,850) | (336) | 5,604 | 6,375 | 2,793 | 6,660 | 2,128 | (2,972) | 3,203 | 9,019 |
| Comprehensive (loss) income | \$ (4,211) | \$ 11,487 | \$ 10,480 | \$ (7,246) | \$ 10,510 | \$ 6,496 | \$ 8,859 | \$ 3,216 | \$ (3,854) | \$ 14,717 |

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 03/31/2020 | 6 months ended 06/30/2020 | 9 months ended 09/30/2020 | 12 months ended 12/31/2020 | 3 months ended 03/31/2021 | 6 months ended 06/30/2021 | 9 months ended 09/30/2021 | 12 months ended 12/31/2021 |
|--|------------------------------|------------------------------|------------------------------|-------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|
| Cash flows from operating activities | | | | | | | | |
| Net income (loss) | \$ 4,639 | \$ 16,462 | \$ 21,338 | \$ 7,717 | \$ (164) | \$ 6,567 | \$ 12,755 | \$ 5,698 |
| Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities: | | | | | | | | |
| Depreciation and amortization | 21,804 | 46,088 | 68,755 | 92,735 | 20,461 | 40,742 | 60,484 | 82,410 |
| Provision for doubtful accounts and sales returns | 2,488 | 6,677 | 10,156 | 13,230 | 2,141 | 4,418 | 7,992 | 11,450 |
| Stock-based compensation expense | 13,580 | 33,713 | 54,556 | 87,257 | 30,005 | 60,554 | 89,480 | 120,379 |
| Deferred taxes | 954 | 1,945 | 1,879 | 8,837 | (1,142) | 276 | 400 | (2,429) |
| Amortization of deferred financing costs and discount | 188 | 376 | 569 | 781 | 506 | 879 | 1,234 | 1,570 |
| Other non-cash adjustments | 102 | 477 | 2,203 | 2,958 | (32) | 155 | (527) | 10,490 |
| Changes in operating assets and liabilities, net of acquisition and disposal of businesses: | | | | | | | | |
| Accounts receivable | (3,876) | (48,167) | (18,319) | (18,414) | 10,407 | (27,134) | (18,779) | (6,525) |
| Prepaid expenses and other assets | (5,303) | (7,068) | 4,292 | 22,568 | (17,426) | (18,162) | (14,169) | (2,048) |
| Trade accounts payable | (4,021) | (8,984) | (17,203) | (19,997) | 7,550 | 2,356 | 10,728 | (9,670) |
| Accrued expenses and other liabilities | (31,694) | (26,520) | (31,595) | (49,232) | 549 | 1,443 | 2,790 | (8,190) |
| Deferred revenue | (23,364) | 22,489 | 12,534 | (485) | (22,752) | 27,828 | 17,400 | 10,526 |
| Net cash (used in) provided by operating activities | (24,503) | 37,488 | 109,165 | 147,955 | 30,103 | 99,922 | 169,788 | 213,661 |
| Cash flows from investing activities | | | | | | | | |
| Purchase of property and equipment | (2,867) | (5,887) | (25,836) | (29,690) | (3,470) | (6,128) | (8,332) | (11,664) |
| Capitalized software development costs | (10,937) | (21,679) | (32,028) | (42,157) | (9,302) | (19,862) | (29,661) | (40,489) |
| Purchase of net assets of acquired companies, net of cash and restricted cash acquired | — | — | — | — | — | — | — | (419,120) |
| Net cash used in investing activities | (13,804) | (27,566) | (57,864) | (71,847) | (12,772) | (25,990) | (37,993) | (471,273) |
| Cash flows from financing activities | | | | | | | | |
| Proceeds from issuance of debt | 144,700 | 202,100 | 267,400 | 748,500 | 80,700 | 128,300 | 128,300 | 582,200 |
| Payments on debt | (86,075) | (185,250) | (290,999) | (747,563) | (59,667) | (113,477) | (131,272) | (152,971) |
| Debt issuance costs | — | — | (593) | (4,586) | — | — | — | (3,106) |
| Employee taxes paid for withheld shares upon equity award settlement | (19,782) | (20,996) | (21,286) | (21,425) | (18,426) | (38,712) | (39,012) | (39,404) |
| Proceeds from exercise of stock options | 1 | 4 | 4 | 4 | — | — | — | — |
| Change in due to customers | (311,095) | (121,612) | (337,821) | 61,214 | (353,597) | (170,061) | (386,973) | (13,464) |
| Change in customer funds receivable | (733) | (828) | (4,495) | 138 | (563) | (5,014) | (5,838) | (731) |
| Purchase of treasury stock | — | — | — | (41,001) | (28,066) | (58,074) | (98,353) | (108,416) |
| Dividend payments to stockholders | (5,960) | (5,960) | (5,960) | (5,960) | — | — | — | — |
| Net cash (used in) provided by financing activities | (278,944) | (132,542) | (393,750) | (10,679) | (379,619) | (257,038) | (533,148) | 264,108 |
| Effect of exchange rate on cash, cash equivalents, and restricted cash | (2,822) | (2,229) | (623) | 2,245 | 230 | 992 | 97 | 297 |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | (320,073) | (124,849) | (343,072) | 67,674 | (362,058) | (182,114) | (401,256) | 6,793 |
| Cash, cash equivalents, and restricted cash, beginning of period | 577,295 | 577,295 | 577,295 | 577,295 | 644,969 | 644,969 | 644,969 | 644,969 |
| Cash, cash equivalents, and restricted cash, end of period | \$ 257,222 | \$ 452,446 | \$ 234,223 | \$ 644,969 | \$ 282,911 | \$ 462,855 | \$ 243,713 | \$ 651,762 |

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 2020 | Q2 2020 | Q3 2020 | Q4 2020 | FY 2020 | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 | FY 2021 |
|---|------------|------------|------------|-------------|------------|------------|------------|------------|-------------|------------|
| GAAP Revenue | \$ 223,621 | \$ 231,991 | \$ 215,001 | \$ 242,606 | \$ 913,219 | \$ 219,191 | \$ 229,440 | \$ 231,218 | \$ 247,891 | \$ 927,740 |
| GAAP gross profit | \$ 118,756 | \$ 127,052 | \$ 116,316 | \$ 123,030 | \$ 485,154 | \$ 115,806 | \$ 121,370 | \$ 123,537 | \$ 123,832 | \$ 484,545 |
| GAAP gross margin | 53.1 % | 54.8 % | 54.1 % | 50.7 % | 53.1 % | 52.8 % | 52.9 % | 53.4 % | 50.0 % | 52.2 % |
| Non-GAAP adjustments: | | | | | | | | | | |
| Add: Stock-based compensation expense | 865 | 2,570 | 3,688 | 6,251 | 13,374 | 5,358 | 5,237 | 4,263 | 5,094 | 19,952 |
| Add: Amortization of intangibles from business combinations | 10,930 | 9,686 | 9,219 | 9,133 | 38,968 | 9,128 | 8,880 | 8,595 | 8,209 | 34,812 |
| Add: Employee severance | 32 | 781 | — | 94 | 907 | — | 15 | 14 | — | 29 |
| Subtotal | 11,827 | 13,037 | 12,907 | 15,478 | 53,249 | 14,486 | 14,132 | 12,872 | 13,303 | 54,793 |
| Non-GAAP gross profit | \$ 130,583 | \$ 140,089 | \$ 129,223 | \$ 138,508 | \$ 538,403 | \$ 130,292 | \$ 135,502 | \$ 136,409 | \$ 137,135 | \$ 539,338 |
| Non-GAAP gross margin | 58.4 % | 60.4 % | 60.1 % | 57.1 % | 59.0 % | 59.4 % | 59.1 % | 59.0 % | 55.3 % | 58.1 % |
| GAAP income (loss) from operations | \$ 8,424 | \$ 19,582 | \$ 10,087 | \$ (850) | \$ 37,243 | \$ 6,644 | \$ 13,043 | \$ 11,846 | \$ (6,627) | \$ 24,906 |
| GAAP operating margin | 3.8 % | 8.4 % | 4.7 % | (0.4)% | 4.1 % | 3.0 % | 5.7 % | 5.1 % | (2.7)% | 2.7 % |
| Non-GAAP adjustments: | | | | | | | | | | |
| Add: Stock-based compensation expense | 13,580 | 20,133 | 20,843 | 32,701 | 87,257 | 30,005 | 30,549 | 28,926 | 30,899 | 120,379 |
| Add: Amortization of intangibles from business combinations | 11,671 | 10,415 | 9,968 | 9,829 | 41,883 | 9,677 | 9,447 | 9,153 | 8,762 | 37,039 |
| Add: Employee severance | 97 | 4,264 | 232 | 282 | 4,875 | 991 | 451 | 68 | — | 1,510 |
| Add: Acquisition-related integration costs | (32) | (71) | (15) | (16) | (134) | (98) | — | (17) | (9) | (124) |
| Add: Acquisition-related expenses | 139 | 85 | 64 | 65 | 353 | 65 | 64 | 67 | 2,982 | 3,178 |
| Add: Restructuring and other real estate activities | 24 | 50 | 6,943 | 16,273 | 23,290 | (111) | 118 | (420) | 12,515 | 12,102 |
| Add: Security Incident-related costs, net of insurance ⁽²⁾ | — | — | — | — | — | — | 470 | 851 | 493 | 1,814 |
| Subtotal | 25,479 | 34,876 | 38,035 | 59,134 | 157,524 | 40,529 | 41,099 | 38,628 | 55,642 | 175,898 |
| Non-GAAP income from operations | \$ 33,903 | \$ 54,458 | \$ 48,122 | \$ 58,284 | \$ 194,767 | \$ 47,173 | \$ 54,142 | \$ 50,474 | \$ 49,015 | \$ 200,804 |
| Non-GAAP operating margin | 15.2 % | 23.5 % | 22.4 % | 24.0 % | 21.3 % | 21.5 % | 23.6 % | 21.8 % | 19.8 % | 21.6 % |
| GAAP income (loss) before provision (benefit) for income taxes | \$ 5,335 | \$ 16,319 | \$ 6,632 | \$ (6,672) | \$ 21,614 | \$ 520 | \$ 8,476 | \$ 8,705 | \$ (10,618) | \$ 7,083 |
| GAAP net income (loss) | \$ 4,639 | \$ 11,823 | \$ 4,876 | \$ (13,621) | \$ 7,717 | \$ (164) | \$ 6,731 | \$ 6,188 | \$ (7,057) | \$ 5,698 |
| Shares used in computing GAAP diluted earnings (loss) per share | 48,455,751 | 48,418,378 | 48,859,707 | 48,190,388 | 48,696,341 | 47,363,197 | 48,444,874 | 48,274,072 | 46,989,624 | 48,230,438 |
| GAAP diluted earnings (loss) per share | \$ 0.10 | \$ 0.24 | \$ 0.10 | \$ (0.28) | \$ 0.16 | \$ — | \$ 0.14 | \$ 0.13 | \$ (0.15) | \$ 0.12 |
| Non-GAAP adjustments: | | | | | | | | | | |
| Add: GAAP income tax provision (benefit) | 696 | 4,496 | 1,756 | 6,949 | 13,897 | 684 | 1,745 | 2,517 | (3,561) | 1,385 |
| Add: Total Non-GAAP adjustments affecting income from operations | 25,479 | 34,876 | 38,035 | 59,134 | 157,524 | 40,529 | 41,099 | 38,628 | 55,642 | 175,898 |
| Non-GAAP income before provision for income taxes | 30,814 | 51,195 | 44,667 | 52,462 | 179,138 | 41,049 | 49,575 | 47,333 | 45,024 | 182,981 |
| Assumed non-GAAP income tax provision ⁽³⁾ | 6,163 | 10,239 | 8,933 | 10,492 | 35,827 | 8,210 | 9,915 | 9,467 | 9,005 | 36,597 |
| Non-GAAP net income | \$ 24,651 | \$ 40,956 | \$ 35,734 | \$ 41,970 | \$ 143,311 | \$ 32,839 | \$ 39,660 | \$ 37,866 | \$ 36,019 | \$ 146,384 |
| Shares used in computing Non-GAAP diluted earnings per share | 48,455,751 | 48,418,378 | 48,859,707 | 49,097,084 | 48,696,341 | 48,387,042 | 48,444,874 | 48,274,072 | 48,106,044 | 48,230,438 |
| Non-GAAP diluted earnings per share | \$ 0.51 | \$ 0.85 | \$ 0.73 | \$ 0.85 | \$ 2.94 | \$ 0.68 | \$ 0.82 | \$ 0.78 | \$ 0.75 | \$ 3.04 |

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

Note 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. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

Note 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 3/31/2020 | 6 months ended 6/30/2020 | 9 months ended 9/30/2020 | 12 months ended 12/31/2020 | 3 months ended 3/31/2021 | 6 months ended 6/30/2021 | 9 months ended 9/30/2021 | 12 months ended 12/31/2021 |
|---|-----------------------------|-----------------------------|-----------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-------------------------------|
| GAAP net cash (used in) provided by operating activities | (24,503) | 37,488 | 109,165 | 147,955 | 30,103 | 99,922 | 169,788 | 213,661 |
| Less: purchase of property and equipment | (2,867) | (5,887) | (25,836) | (29,690) | (3,470) | (6,128) | (8,332) | (11,664) |
| Less: capitalized software development costs | (10,937) | (21,679) | (32,028) | (42,157) | (9,302) | (19,862) | (29,661) | (40,489) |
| Non-GAAP free cash flow | \$ (38,307) | \$ 9,922 | \$ 51,301 | \$ 76,108 | \$ 17,331 | \$ 73,932 | \$ 131,795 | \$ 161,508 |