blackbaud

Blackbaud Investor Presentation

Ticker: BLKB

May 3, 2023

Forward-looking Statements

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

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Historical Financials and Non-GAAP Financial Measures

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

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

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

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

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

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

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

Blackbaud At-a-Glance

Leading provider of software for powering social impact

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

- Arts and Cultural Organizations
- Companies
- Faith Communities
- Foundations
- Healthcare Organizations
- Higher Education Institutions
- Individual Change Agents
- K–12 Schools
- Nonprofit

40+

years serving industry with demonstrated track record

$100B+

donated, granted, and invested through our platforms every year

$1.1B

annual recurring revenue[1]

40,000+

customers under contract[2]

3,000+

remote employees

Millions

of users and supporters in 100+ countries

1 Non-GAAP, at mid-point of 2023 financial guidance. Financial goals represent full year targets.
2 Customers with contractual billing arrangements in 2022

Key highlights

Clear leader with durable business model in a large, resilient end market comprising over $480B in charitable giving in the US alone

Executing a strategy to achieve Rule of 40 exiting 2023 and driving high-single digit to double-digit revenue growth with mid-30s Adjusted EBITDA margin in 2024 and beyond

Driving strong financial performance through execution of five key operational initiatives implemented last year across product, bookings, transactional revenue, pricing and costs

Innovating on the most comprehensive solution set of purpose-built and mission critical software and services powering social impact

Remain committed to reducing net leverage to ~2.0x target and resuming share repurchase program

Business overview

Blackbaud is the leading provider of software for powering social impact

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

Cloud Software

Data Intelligence

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

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

Services

Expertise

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

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

Fundraising and Engagement

Fundraising

Peer-to-Peer Fundraising

Marketing

Financial Management

Fund Accounting

Financial Aid Management

Tuition Management

Grant and Award Management

Grantmaking

Award Management

Organizational and Program Management

Ticketing

Education Management

Social Responsibility

EVERFI

Grantmaking

Employee Giving and Volunteering

Payment Services

Merchant Services

Payables

Data Intelligence

Data Health

Insights

Performance

Services

Consulting Services

Implementation and Optimization Services

Most comprehensive solution set that accelerates impact

- Blackbaud is the **leading provider of software** wholly dedicated to powering social impact
- Only Blackbaud offers a full portfolio of **purpose-built, integrated solutions**
- Highly **fragmented competition** offers single-point solutions
- Large customer base with **93% customer retention**

blackbaud

Corporate Social Responsibility & ESG	Fundraising, Relationship Management & Engagement	Payment Services	Financial Management, Grant & Award Management	Organizational & Program Management
OUR COMPETITORS [1]				
benevity	salesforce.org (and partners)	Authorize.Net	Intacct	FACTS | renweb
CyberGrants	donorperfect	Bonterra	intuit quickbooks	VERACROSS
Bright Funds	ALTRATA	communitybrands	AWARDSPRING	tessitura NETWORK
	bloomerang	PowerSchool	FOUNDANT technologies	ellucian

[1]Informed by internal competitive intelligence and analysis

Fueling accelerated impact for our customers

$4.3B

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

300K

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

$400K

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

THE UNIVERSITY of NORTH CAROLINA at CHAPEL HILL

Community Home Health & Hospice

UNITED AIRLINES

Archbishop Moeller High School

Charleston Animal Society

mcasd Museum of Contemporary Art San Diego

200%

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

100x

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

350%

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

Sourced from Blackbaud customer stories

Executing strategy with commitment to ESG

Environmental

Achieved carbon neutrality across operations and data centers for 2021

Substantially **reduced energy use and emissions** related to global real estate footprint, employee commute and business travel

Engaging with TCFD and CDP to ensure transparent sustainability reporting and progress

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

Announced **major gift supporting education within our DEI focus** in partnership with five global organizations

Governance

Joined UN Global Compact in 2021

Created **ESG Steering Committee** with CEO sponsorship and Board oversight

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

Adopted a **tenure limit for all independent directors**

Recognized as a leader in ESG actions and disclosures

ESG Priorities

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

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

Awards and Recognition

TrustRadius Tech Cares 2022

GOLD 2022 STEVIE WINNER FOR SALES & CUSTOMER SERVICE

Presented by RippleMatch Campus Forward Awards

Forbes 2022 America's Best Midsize Employers

Quartz Best Companies for Remote Workers Winner 2022

TrustRadius Most Loved 2022

America's Most Responsible Companies 2022 Newsweek statista

CollegeGrad.com Top Employers

Disclosures and Frameworks

GRI

SASB Sustainability Accounting Standards Board

Sustainable Development Goals

TCFD Task Force on Climate-Related Financial Disclosures

CDP Disclosure Insight Action

Public Scoring

ISS

Governance	2
Environment	2
Social	1

MSCI ESG RATINGS: AA

CCC	B	BB	BBB	A	AA	AAA

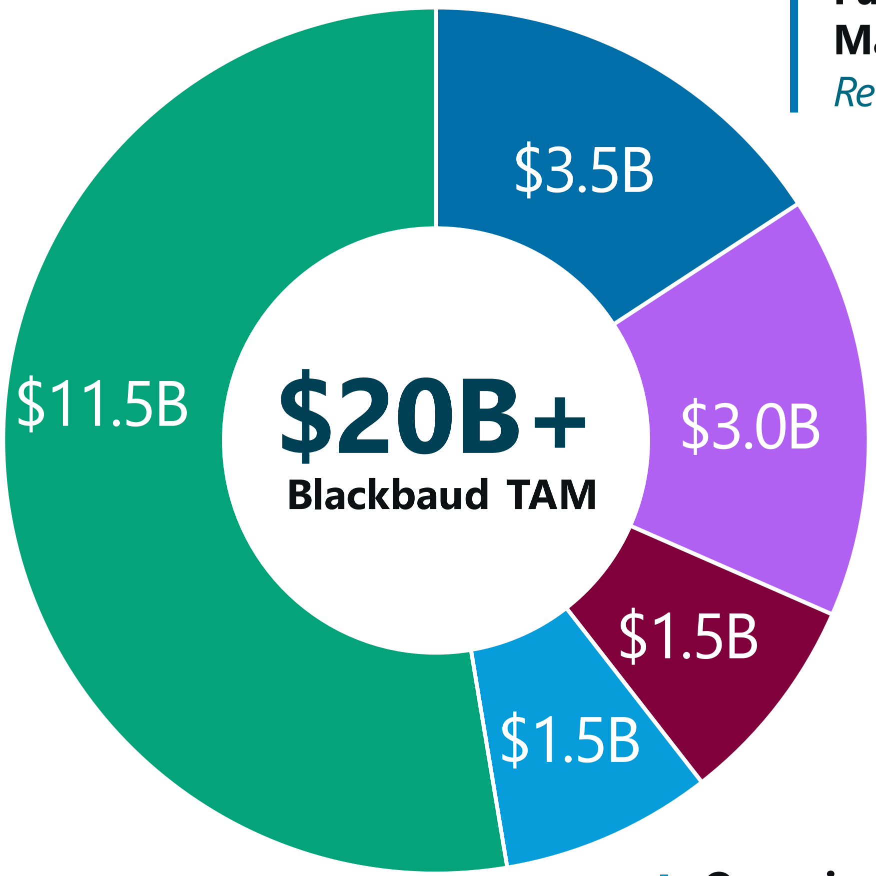
SUSTAINALYTICS a Morningstar company

Low Risk

Negligible	Low	Medium	High	Severe

Large and underpenetrated total addressable market

Corporate Social Responsibility and ESG
Revenue Penetration: <5%



Fundraising, Relationship Management and Engagement
Revenue Penetration: <20%

Payment Services
Revenue Penetration: <10%

Financial Management, Grant and Award Management
Revenue Penetration: <10%

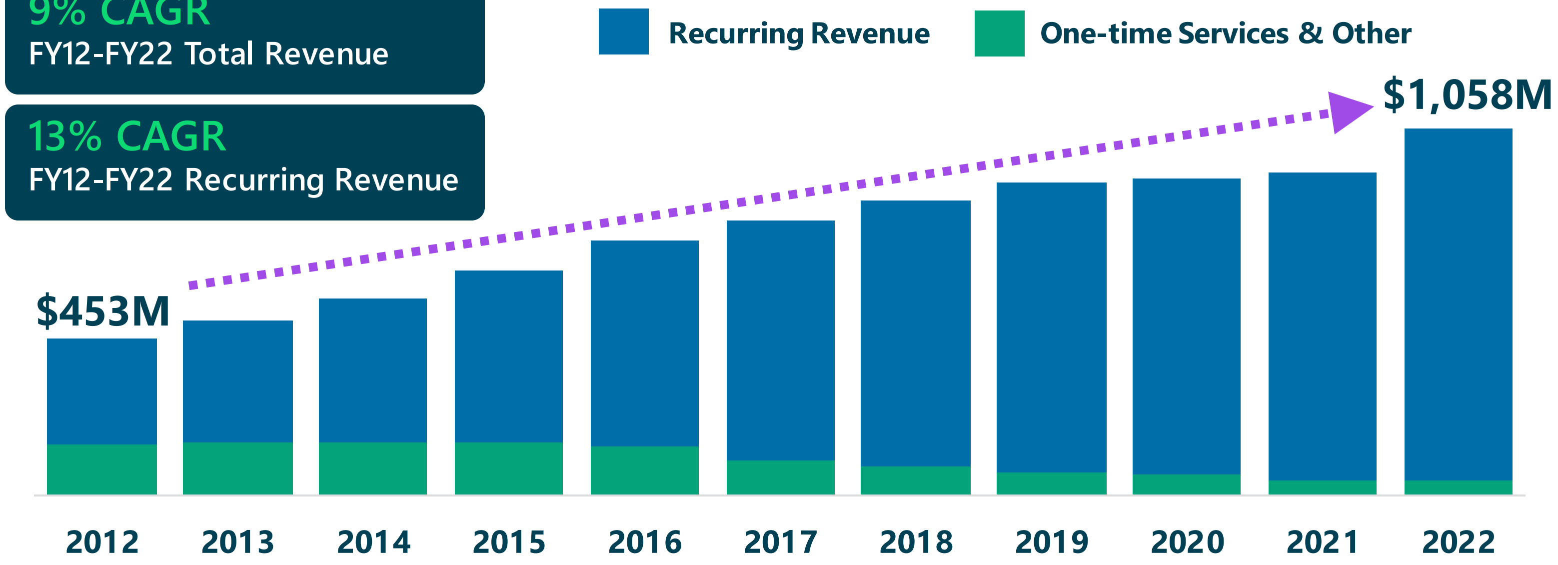
Organizational and Program Management
Revenue Penetration: <10%

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

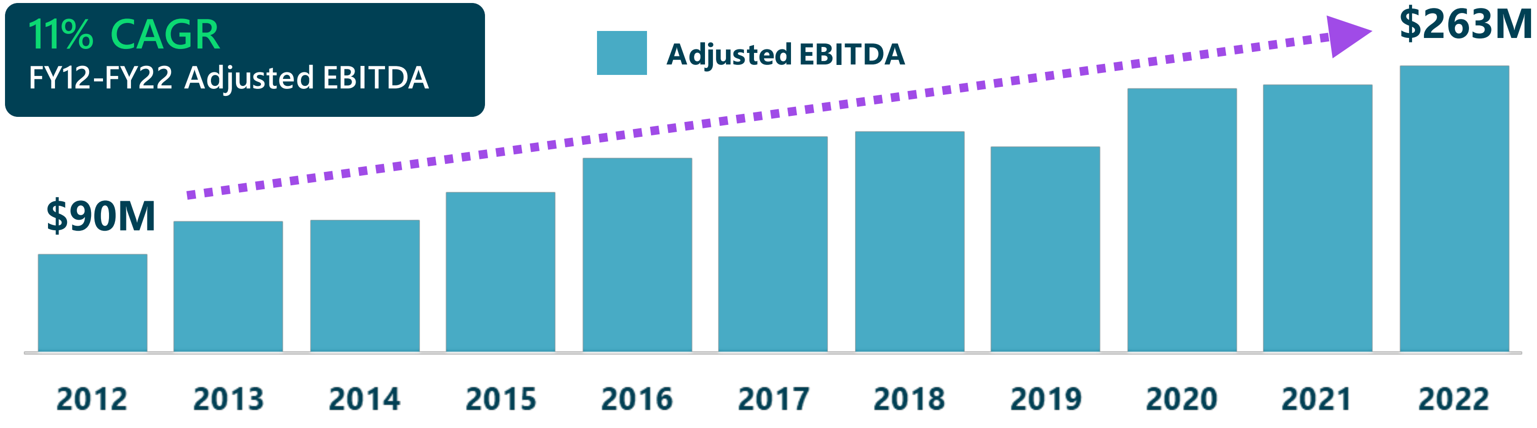
Proven history of double-digit recurring revenue and Adjusted EBITDA growth

9% CAGR
FY12-FY22 Total Revenue

13% CAGR
FY12-FY22 Recurring Revenue



11% CAGR
FY12-FY22 Adjusted EBITDA



- Recurring revenue represented 96% of total revenue in 2022
- Execution of successful M&A strategy has grown the revenue base and accelerated growth and the shift to the cloud
- Multiple levers to drive meaningful growth going forward from several operational initiatives across all revenue streams
- Adjusted EBITDA growth in excess of total revenue growth

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

Update on ongoing operational initiatives

Five key initiatives implemented last year showing early signs of success

1. Product innovation
2. Bookings growth and acceleration
3. Transactional revenue optimization and expansion
4. Modernized approach to pricing and multi-year customer contracts
5. Keen attention to cost management

Adding substantial value for customers through innovation

Initiative 1

- **SKY API** endpoints now enable customers to **seamlessly integrate complementary point solutions** with our partners
- **Expanded partnerships** unlock even more value for our customers through ecosystem enablement
  - Almabase partnership drives higher alumni engagement and better fundraising through enablement of secure movement of data
  - SwipeTrack's XTruLink creates an integration that provides a modern guest and patron experience at arts and cultural organizations
- **Good Move** leverages recently acquired Kilter to help organizations raise more with **mobile-first gamified activity tracking** and **peer-to-peer fundraising**

9,000+

3rd party developers on the SKY Developer Portal

8,000+

Customers with active connections to SKY applications

3,000+

Customers with active connection to a 3rd party app on Blackbaud Marketplace

Initiative 2

Strong Q1 bookings performance demonstrates end market resilience in challenging macro environment

- Significant Q1 bookings growth year over year, exceeding plan
- Total company pipeline coverage remains solid heading into Q2
- Sales productivity per rep continues to increase – up over 30% year over year
- Strong momentum in Corporate Sector, with Q1 bookings 2x compared to prior year
- Remain focused on signing new enterprise logos as well as upsell and cross-sell opportunities

Select Q1 customer wins

accenture

Microsoft

University of the Pacific · 1851 ·

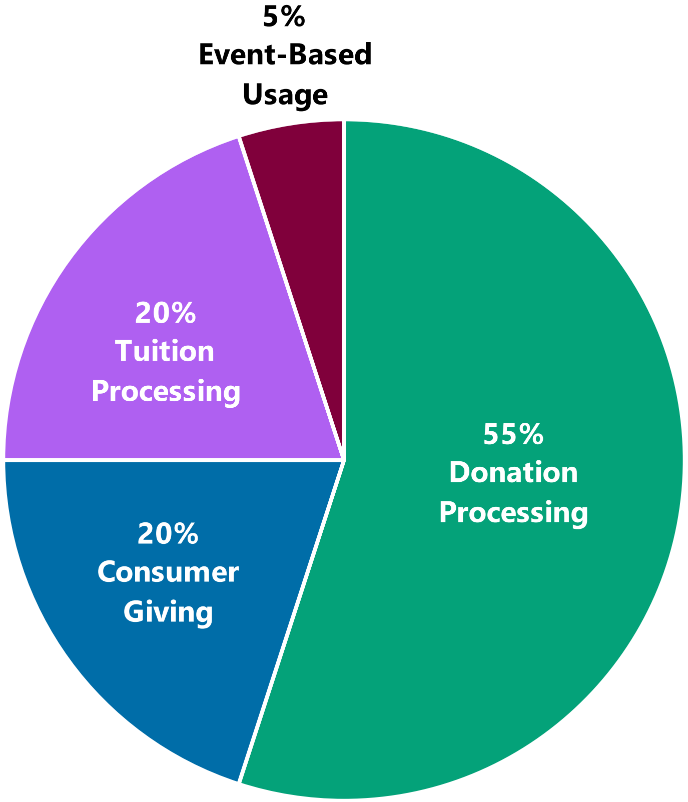
ASIA WILD

Guardian®

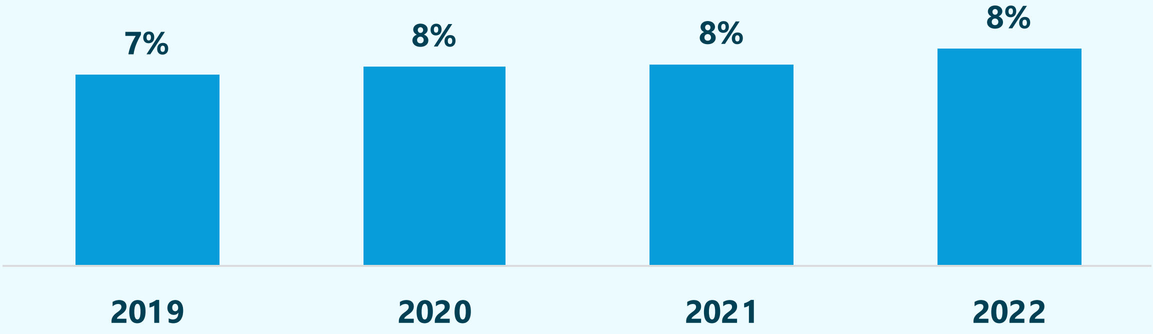
Initiative 3

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

Transactional recurring revenue streams[1]



Transactional recurring revenue growth



- Strong momentum in consumer giving and tuition processing as payments further migrate online
- Rate change on core Blackbaud Merchant Services took effect in the beginning of the year
- Fee cover models to contribute to growth over time
- Additional payments solutions optimization to drive enhanced donor experience

[1] Based on 2022 transactional revenue

Renewal pricing initiative is well underway with strong early signs of success

- Modern approach to renewal pricing applies primarily to Social Sector contractual revenue base
- Renewal pricing changes went into effect March 2023
- Customers were notified of renewal pricing changes as early as November 2022
- Thousands of contracts have already been renewed under new renewal pricing approach
- Renewal rates, 3-year mix and effective rate increase are actively monitored on a daily basis

>50%

2023 Total Company revenue expected to renew through 2026[1]

~25%

2023 contracts eligible for renewal rate increase that have already renewed[2]

Renewal Impact[3]

Renewal Rate: In-line with plan

3-Year Mix: Ahead of plan

Effective Rate Increase: In-line with plan

[1] At the midpoint of 2023 Financial Guidance
[2] As of the end of April 2023, captures through May 2023 renewals
[3] Impact measured on renewals subject to the price increases

Initiative 4

Modernized renewal pricing provides better economics and visibility

	PRIOR APPROACH	NEW APPROACH
Renewal Term	*Mix of annual and multi-year renewal contracts*	Primarily 3-year contract renewal terms
Rate Increase at Renewal	*Mid-single digit rate increase upon renewal*	Mid- to high-teens rate increase upon renewal
Embedded Escalator in Multi-Year Contracts	*No embedded annual price increase on multi-year contracts*	Mid- to high-single digit rate increase embedded in both years 2 & 3

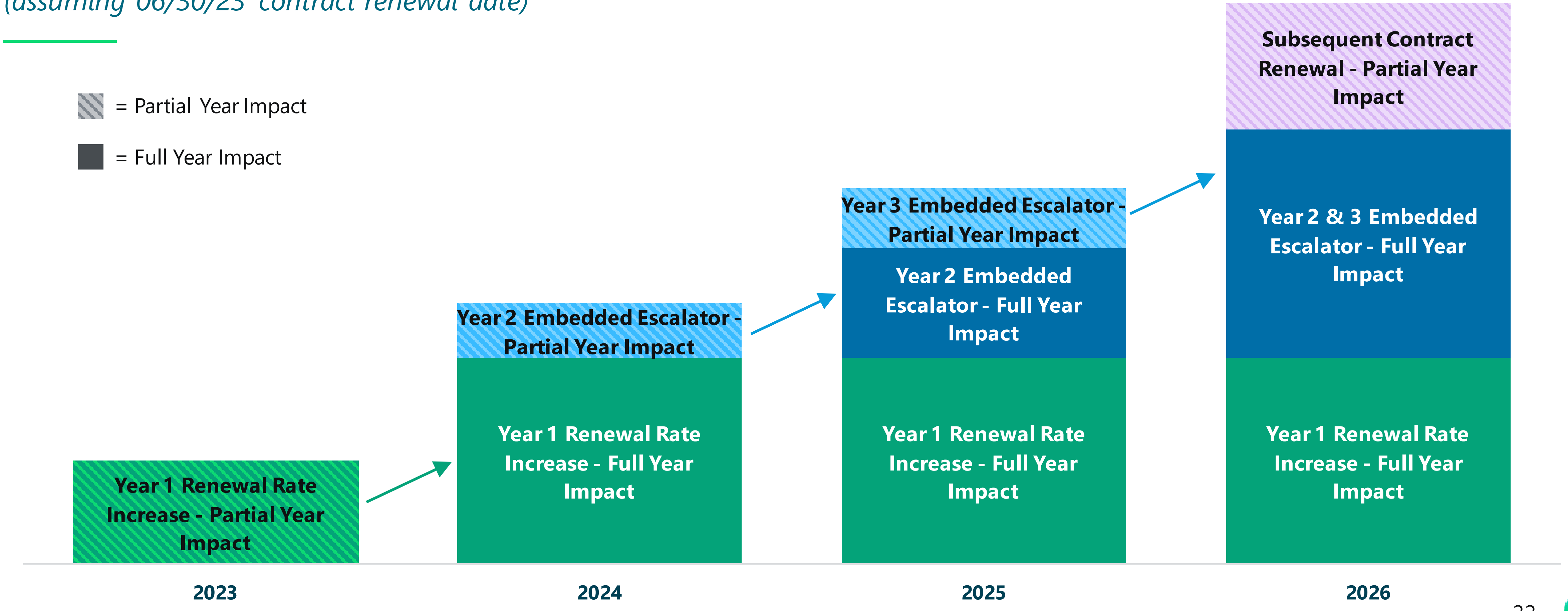
Illustration of Rate Increase on a 3-Year Contract Renewal

New renewal pricing approach provides compounding multi-year benefit

Initiative 4

Illustration of revenue uplift for average 3-year renewal contract in 2023

(assuming 06/30/23 contract renewal date)



Initiative 4

Contract renewal distribution creates sustainable longer-term growth

Mix of contracts eligible for renewal rate increase by renewal year[1]

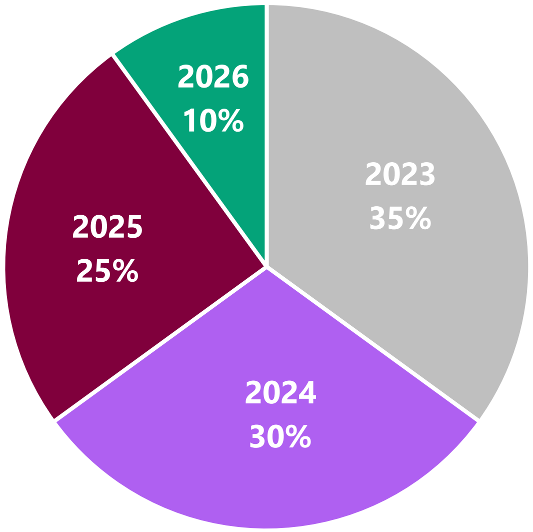
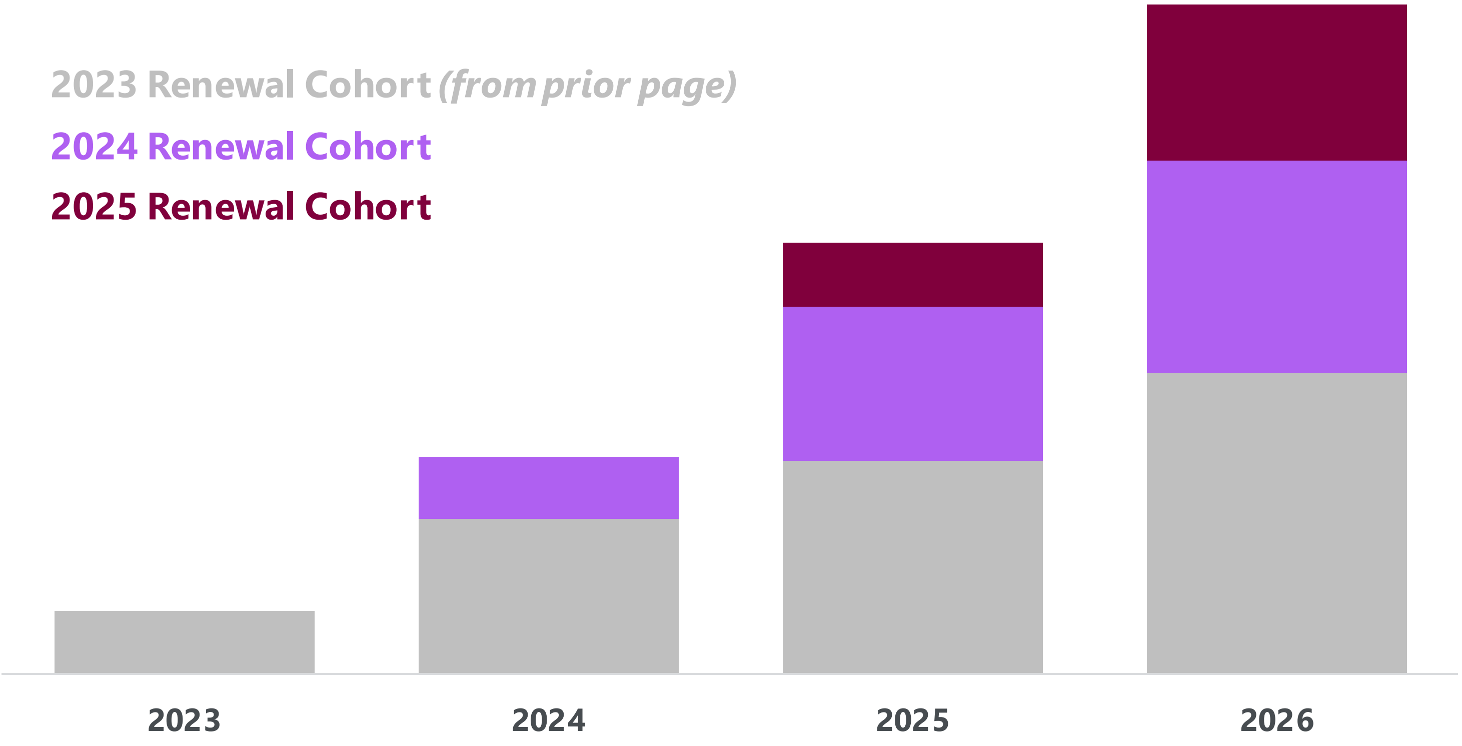


Illustration of revenue uplift for all contracts that renew under new renewal pricing approach



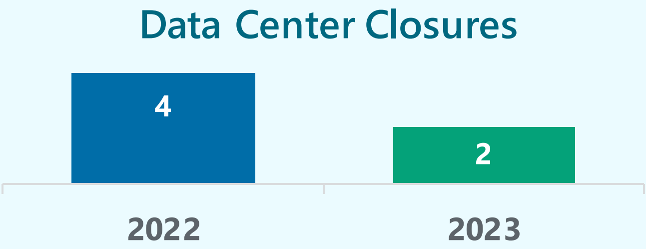
[1] As of end of April 2023, excludes new bookings

Initiative 5

Keen attention to cost management will contribute to ongoing margin expansion

Headcount Actions

IT Consolidation



Spend Management

Favorable renegotiation of key vendor contracts, including Azure and AWS

Reduced real estate footprint

Expect further step-level adjusted EBITDA margin improvement in Q2 2023 and beyond

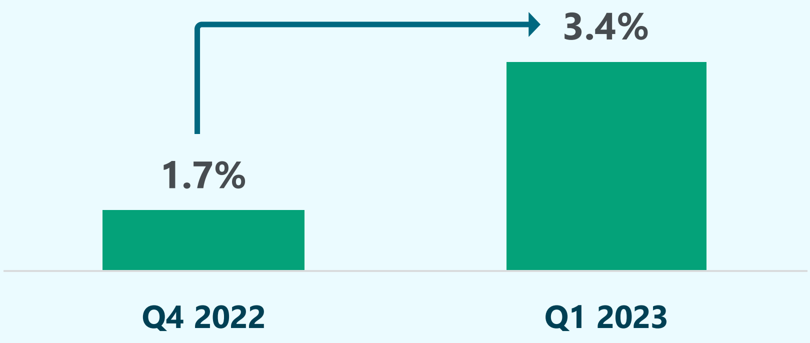
- Move past Q1 seasonal low
- Receive full quarter impact of recently completed headcount actions
- Full quarter impact of fall-through benefit from renewal rate increases
- Continue to manage cost structure to realize scale from expense base
- Positive shift in competitive dynamics

Financial Outlook

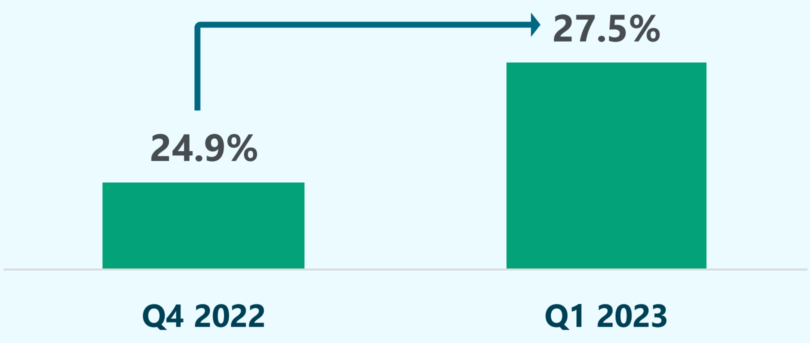
Strong start to 2023 with accelerating sequential performance

Initiative	Q1 2023 Detail
Product innovation	**New partnerships and features driving growth** • New TeamRaiser Activity-Tracking • Released SKY APIs for CRM and Altru
Bookings	**Significant year-over-year growth ahead of plan** • Corporate sector bookings increased >2x vs. Q1'22 • >30% increase in sales rep productivity
Transactional revenue	**Strong rebound from Q4, exhibiting 7% YoY growth** • Growth against tough Q1'22 compare with Ukraine-related giving • BBMS rate change and strength in JustGiving & Tuition Mgmt
Pricing	**Strong early signs from renewal pricing impact** • Renewal rates remain strong • Shift to 3-year contracts exceeding plan
Cost management	**Recent actions driving margin improvement** • 14% staff reduction since Q3 2022 • Two additional data center closures scheduled for 2023

Organic revenue growth[1]



Adjusted EBITDA margin[1]



[1] Non-GAAP performance through 3/31/23 at constant currency. Non-GAAP adjusted EBITDA as defined on page 3.

Updated 2023 Total Company guidance

Expect accelerating growth and margin performance every quarter in 2023

	Prior guidance	Current guidance
Total revenue	$1,080 - 1,110M	$1,095 - 1,125M
Adjusted EBITDA margin	29.5% - 30.5%	30.5% - 31.5%
Diluted EPS	$3.30 - $3.60	$3.63 - $3.94
Adjusted free cash flow	$170 - 190M	$190 - 210M

What has changed since prior guidance?

- Strong bookings momentum
- Overperformance relative to plan and momentum in transactional revenue
- Strong renewal rates as pricing actions are implemented
- Cost actions largely complete, reducing annualized expenses

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

In order to provide a meaningful basis for comparison, Blackbaud now uses non-GAAP adjusted free cash flow in analyzing its operating performance. Non-GAAP adjusted free cash flow is defined as operating cash flow less capital expenditures, including costs required to be capitalized for software and content development, capital expenditures for property and equipment, plus cash flow, net of insurance, related to the previously disclosed Security Incident discovered in May 2020 (the "Security Incident"). For full year 2022, Blackbaud currently expects net cash outlays of $25 million to $35 million for ongoing legal fees related to the Security Incident. In line with the Company's policy, all associated costs due to third-party service providers and consultants, including legal fees, are expensed as incurred. As of March 31, 2023, we have recorded approximately $30.2 million in aggregate liabilities for loss contingencies based primarily on recent negotiations with certain governmental agencies related to the Security Incident that we believe we can reasonably estimate. It is reasonably possible that our estimated or actual losses may change in the near term for those matters and be materially in excess of the amounts accrued, but we are unable at this time to reasonably estimate the possible additional loss. Please refer to the section below titled "Non-GAAP Financial Measures" for more information on Blackbaud's use of non-GAAP financial measures.

Expect accelerating growth in both 2023 and 2024

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

On track to achieve Rule of 40 exiting 2023 with sustainable improvement expected in 2024 and beyond

	2022	2023 *(midpoint)*	2023 exit rate	2024+
Organic revenue growth[1]	4%	5.5%	High-single digits	High-single digits to low-double digits
Adjusted EBITDA margin[1]	25%	31%	Low- to Mid-30s	Mid-30s
Rule of 40[1]	29%	36.5%	40%+	Further Expansion

Drivers of sustained Rule of 40 improvement

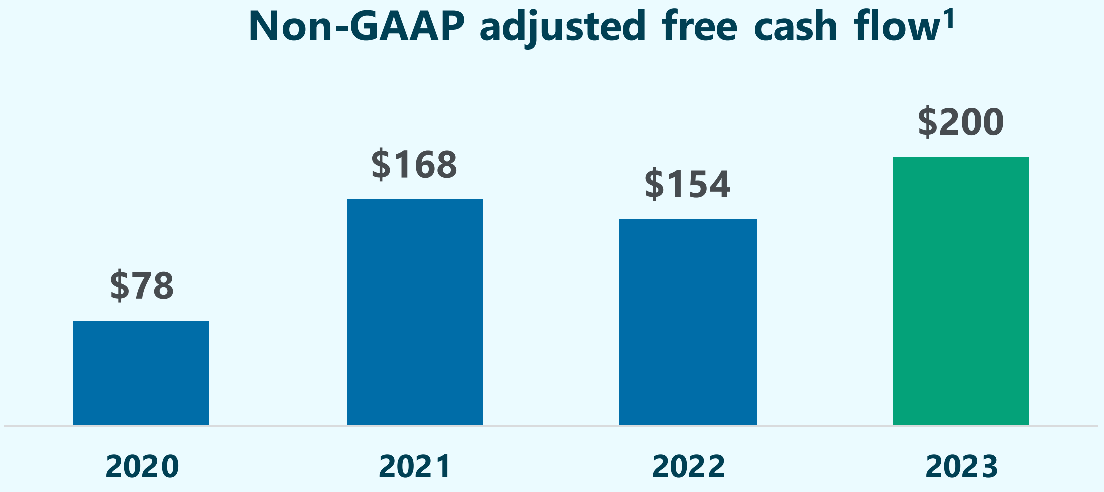
- Pricing initiatives drive multi-year compounding impact to primarily Social Sector contractual revenue that resets in 2026
- Continued consistent growth in transactional revenue as online giving further proliferates
- Strong momentum and significant growth opportunity in Corporate Sector
- Gross margin expansion benefit over time from renewal pricing initiatives
- Continued productivity gains and cost discipline

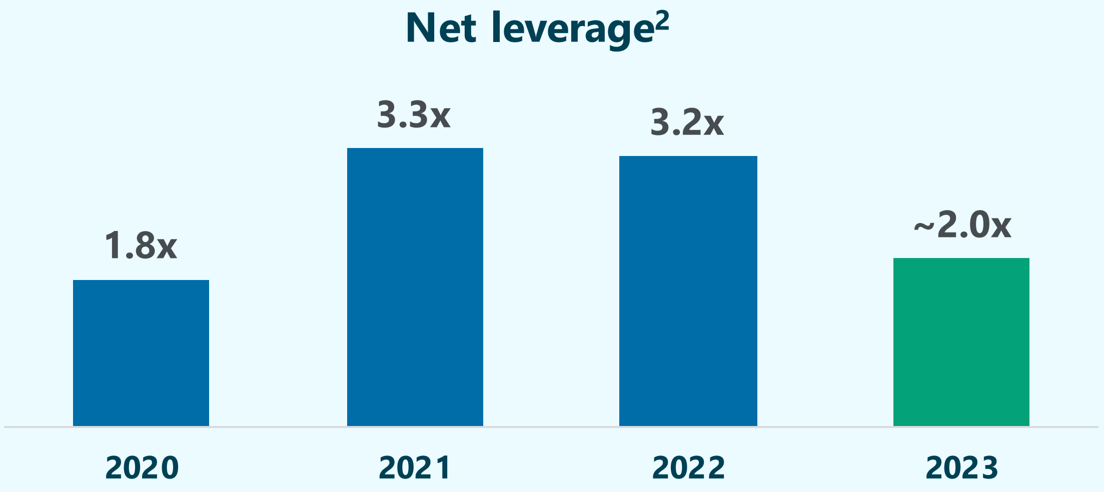
[1] Non-GAAP at constant currency

Cash flow generation and capital allocation

- We remain committed to reducing net leverage to our ~2.0x target in the near-term through both cash flow generation and adjusted EBITDA growth

- Over time, we expect to resume share repurchases through our Board-authorized program while maintaining a strong balance sheet





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

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

Appendix

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

(dollars in thousands)	Three months ended		Year ended	Three months ended			
	03/31/2023	03/31/2022	12/31/2022	12/31/2022	09/30/2022	06/30/2022	03/31/2022
GAAP revenue	$ 261,753	$ 257,124	$ 1,058,105	$ 274,757	$ 261,297	$ 264,927	$ 257,124
GAAP revenue growth	**1.8 %**						
Less: Non-GAAP revenue from divested businesses[1]	—	(1,309)	(3,535)	(10)	(912)	(1,304)	(1,309)
Non-GAAP organic revenue[2]	$ 261,753	$ 255,815	$ 1,054,570	$ 274,747	$ 260,385	$ 263,623	$ 255,815
Non-GAAP organic revenue growth	**2.3 %**						
Non-GAAP organic revenue[2]	$ 261,753	$ 255,815	1,054,570	$ 274,747	$ 260,385	$ 263,623	$ 255,815
Foreign currency impact on Non-GAAP organic revenue[3]	2,677	—	—	—	—	—	—
Non-GAAP organic revenue on constant currency basis[3]	$ 264,430	$ 255,815	$ 1,054,570	$ 274,747	$ 260,385	$ 263,623	$ 255,815
Non-GAAP organic revenue growth on constant currency basis	**3.4 %**						
GAAP recurring revenue	252,748	244,666	1,011,733	265,173	249,387	252,507	244,666
GAAP recurring revenue growth	**3.3 %**						
Less: Non-GAAP recurring revenue from divested businesses[1]	—	(1,279)	(3,439)	(1)	(893)	(1,266)	(1,279)
Non-GAAP organic recurring revenue[2]	$ 252,748	$ 243,387	$ 1,008,294	$ 265,172	$ 248,494	$ 251,241	$ 243,387
Non-GAAP organic recurring revenue growth	**3.8 %**						
Non-GAAP organic recurring revenue[2]	$ 252,748	$ 243,387	1,008,294	$ 265,172	$ 248,494	$ 251,241	$ 243,387
Foreign currency impact on non-GAAP organic recurring revenue[3]	2,472	—	—	—	—	—	—
Non-GAAP organic recurring revenue on constant currency basis[3]	$ 255,220	$ 243,387	$ 1,008,294	$ 265,172	$ 248,494	$ 251,241	$ 243,387
Non-GAAP organic recurring revenue growth on constant currency basis	**4.9 %**						

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

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

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

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

(dollars in thousands)	Three months ended 03/31/2023	Three months ended 03/31/2022
GAAP net income	$ (14,701)	$ (10,407)
Non-GAAP adjustments:		
Add: Interest, net	9,426	7,476
Less: GAAP income tax benefit	(3,901)	(2,050)
Add: Depreciation	3,336	3,538
Add: Amortization of intangibles from business combinations	13,885	13,300
Add: Amortization of software and content development costs[1]	10,606	9,245
Subtotal	33,352	31,509
Non-GAAP EBITDA	$ 18,651	$ 21,102
Non-GAAP EBITDA margin	7.1 %	
Non-GAAP adjustments:		
Add: Stock-based compensation expense	29,925	27,860
Add: Employee severance	4,322	—
Add: Acquisition and disposition-related costs	619	957
Add: Restructuring and other real estate activities	—	71
Add: Security Incident-related costs, net of insurance[2]	17,783	7,201
Subtotal	52,649	36,089
Non-GAAP adjusted EBITDA	$ 71,300	$ 57,191
Non-GAAP adjusted EBITDA margin	**27.2 %**	
Rule of 40[3]	**29.5 %**	
Non-GAAP adjusted EBITDA	71,300	57,191
Foreign currency impact on Non-GAAP adjusted EBITDA[4]	1,297	501
Non-GAAP adjusted EBITDA on constant currency basis[4]	$ 72,597	$ 57,692
Non-GAAP adjusted EBITDA margin on constant currency basis	**27.5 %**	
Rule of 40 on constant currency basis[5]	**30.9 %**	

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

(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 and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

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

(4) 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.

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

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

	Three Months Ended March 31, 2023							
(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Security Incident-related costs, net of insurance[1]	Non-GAAP adjustments subtotal	Non-GAAP
Revenue								
Recurring	$ 252,748	$ —	$ —	$ —	$ —	$ —	$ —	$ 252,748
One-time services and other	9,005	—	—	—	—	—	—	9,005
Total revenue	**261,753**	**—**	**—**	**—**	**—**	**—**	**—**	**261,753**
Cost of revenue								
Cost of recurring	114,500	(3,187)	(12,766)	(411)	—	—	(16,364)	98,136
Cost of one-time services and other	8,612	(767)	(345)	(332)	—	—	(1,444)	7,168
Total cost of revenue	**123,112**	**(3,954)**	**(13,111)**	**(743)**	**—**	**—**	**(17,808)**	**105,304**
Gross profit	**138,641**	**3,954**	**13,111**	**743**	**—**	**—**	**17,808**	**156,449**
Recurring gross margin	*54.7 %*						*6.5 %*	*61.2 %*
One-time services and other gross margin	*4.4 %*						*16.0 %*	*20.4 %*
Total gross margin	***53.0 %***						***6.8 %***	***59.8 %***
Operating expenses								
Sales, marketing and customer success	54,385	(5,515)	—	(1,636)	—	—	(7,151)	47,234
Research and development	40,591	(7,302)	—	(1,133)	—	—	(8,435)	32,156
General and administrative	52,838	(13,154)	—	(810)	(619)	(17,783)	(32,366)	20,472
Amortization	774	—	(774)	—	—	—	(774)	—
Total operating expenses	**148,588**	**(25,971)**	**(774)**	**(3,579)**	**(619)**	**(17,783)**	**(48,726)**	**99,862**
Income from operations	**(9,947)**	**29,925**	**13,885**	**4,322**	**619**	**17,783**	**66,534**	**56,587**
Total operating margin	***(3.8)%***						***25.4 %***	***21.6 %***
Net (loss) income	**$ (14,701)**							**$ 38,346**
Shares used in computing diluted (loss) earnings per share	52,133							53,171
Diluted (loss) earnings per share	**$ (0.28)**							**$ 0.72**

(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 and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

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

Three Months Ended March 31, 2022								
(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Acquisition and disposition-related costs	Restructuring and other real estate activities	Security Incident-related costs, net of insurance	Non-GAAP adjustments subtotal	Non-GAAP
Revenue								
Recurring	$ 244,666	$ —	$ —	$ —	$ —	$ —	$ —	$ 244,666
One-time services and other	12,458	—	—	—	—	—	—	12,458
Total revenue	**257,124**	**—**	**—**	**—**	**—**	**—**	**—**	**257,124**
Cost of revenue								
Cost of recurring	112,174	(3,118)	(12,130)	—	—	—	(15,248)	96,926
Cost of one-time services and other	11,188	(1,031)	(359)	—	—	—	(1,390)	9,798
Total cost of revenue	**123,362**	**(4,149)**	**(12,489)**	**—**	**—**	**—**	**(16,638)**	**106,724**
Gross profit	**133,762**	**4,149**	**12,489**	**—**	**—**	**—**	**16,638**	**150,400**
Recurring gross margin	*54.2 %*						*6.2 %*	*60.4 %*
One-time services and other gross margin	*10.2 %*						*11.2 %*	*21.4 %*
Total gross margin	***52.0 %***						***6.5 %***	***58.5 %***
Operating expenses								
Sales, marketing and customer success	55,216	(5,011)	—	—	—	—	(5,011)	50,205
Research and development	39,952	(6,242)	—	—	—	—	(6,242)	33,710
General and administrative	43,762	(12,458)	—	(957)	(71)	(7,201)	(20,687)	23,075
Amortization	811	—	(811)	—	—	—	(811)	—
Total operating expenses	**139,741**	**(23,711)**	**(811)**	**(957)**	**(71)**	**(7,201)**	**(32,751)**	**106,990**
Income from operations	**(5,979)**	**27,860**	**13,300**	**957**	**71**	**7,201**	**49,389**	**43,410**
Total Operating Margin	***(2.3)%***						***19.2 %***	***16.9 %***
Net (loss) income	**$ (10,407)**							**$ 29,546**
Shares used in computing diluted (loss) earnings per share	51,200							52,077
Diluted (loss) earnings per share	**$ (0.20)**							**$ 0.57**

(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 and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

Historical Consolidated Balance Sheets (Unaudited)

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

Historical Consolidated Statements of Comprehensive Income (Unaudited)

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

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 03/31/2022	6 months ended 06/30/2022	9 months ended 09/30/2022	12 months ended 12/31/2022	3 months ended 03/31/2023
Cash flows from operating activities					
Net loss	$ (10,407)	$ (13,829)	$ (24,148)	$ (45,407)	$ (14,701)
Adjustments to reconcile net loss to net cash provided by operating activities:					
Depreciation and amortization	25,545	51,283	76,606	102,369	27,272
Provision for credit losses and sales returns	1,875	3,653	4,374	6,066	1,522
Stock-based compensation expense	27,860	55,714	83,659	110,294	29,925
Deferred taxes	(7,431)	(16,656)	(21,672)	(26,644)	9,245
Amortization of deferred financing costs and discount	645	1,254	1,827	2,364	500
Other non-cash adjustments	(150)	4,225	5,677	5,676	(215)
Changes in operating assets and liabilities, net of acquisition and disposal of businesses:					
Accounts receivable	9,010	(50,818)	9,998	(7,340)	1,139
Prepaid expenses and other assets	(2,067)	3,685	22,246	26,235	(2,750)
Trade accounts payable	15,919	12,769	14,435	21,607	3,362
Accrued expenses and other liabilities	(13,430)	(8,739)	(7,028)	(2,386)	(15,931)
Deferred revenue	(22,865)	39,238	23,832	11,059	(17,562)
Net cash provided by operating activities	24,504	81,779	189,806	203,893	21,806
Cash flows from investing activities					
Purchase of property and equipment	(4,266)	(7,518)	(10,512)	(12,289)	(1,364)
Capitalized software and content development costs	(12,683)	(27,183)	(42,757)	(58,774)	(13,967)
Purchase of net assets of acquired companies, net of cash and restricted cash acquired	(19,985)	(19,016)	(20,945)	(20,912)	—
Net cash used in sale of business	—	—	6,426	6,426	—
Net cash used in investing activities	(36,934)	(53,717)	(67,788)	(85,549)	(15,331)
Cash flows from financing activities					
Proceeds from issuance of debt	59,400	113,200	126,900	211,000	92,600
Payments on debt	(33,765)	(129,548)	(229,442)	(310,740)	(75,403)
Stock issuance costs	—	(557)	(1,205)	(1,339)	—
Employee taxes paid for withheld shares upon equity award settlement	(34,674)	(35,600)	(36,057)	(36,376)	(31,417)
Change in due to customers	(315,294)	(141,001)	(243,109)	111,386	(337,159)
Change in customer funds receivable	(1,115)	(546)	(1,291)	380	(1,859)
Net cash used in financing activities	(325,448)	(194,052)	(384,204)	(25,689)	(353,238)
Effect of exchange rate on cash, cash equivalents, and restricted cash	(504)	(7,252)	(14,235)	(10,486)	986
Net (decrease) increase in cash, cash equivalents, and restricted cash	(338,382)	(173,242)	(276,421)	82,169	(345,777)
Cash, cash equivalents, and restricted cash, beginning of period	651,762	651,762	651,762	651,762	733,931
Cash, cash equivalents, and restricted cash, end of period	$ 313,380	$ 478,520	$ 375,341	$ 733,931	$ 388,154

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

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

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

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 and accruals for certain loss contingencies. 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 3/31/2022	6 months ended 6/30/2022	9 months ended 9/30/2022	12 months ended 12/31/2022	3 months ended 3/31/2023
GAAP net cash provided by operating activities	24,504	81,779	189,806	203,893	21,806
Less: purchase of property and equipment	(4,266)	(7,518)	(10,512)	(12,289)	(1,364)
Less: capitalized software and content development costs	(12,683)	(27,183)	(42,757)	(58,774)	(13,967)
Non-GAAP free cash flow	$ 7,555	$ 47,078	$ 136,537	$ 132,830	$ 6,475
Add: Security Incident-related cash flows, net of insurance	823	5,164	9,536	20,864	9,223
Non-GAAP adjusted free cash flow	$ 8,378	$ 52,242	$ 146,073	$ 153,694	$ 15,698

Thank you