

blackbaud®



Blackbaud Investor Presentation

Ticker: BLKB

February 13, 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.

Trademark Usage

All Blackbaud product names appearing herein are trademarks or registered trademarks of Blackbaud, Inc. This presentation contains trade names, trademarks and service marks of other companies. The Company does not intend its use or display of other parties' trade names, trademarks and service marks to imply a relationship with, or endorsement or sponsorship of, these other parties.

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 fiscal years ended December 31, 2022 and 2021 and the interim periods therein; calculations for recurring revenue growth and total revenue growth for the twelve month period ended December 31, 2022 and the interim periods therein; and calculations of non-GAAP organic revenue growth, non-GAAP organic recurring revenue growth, non-GAAP organic revenue growth on a constant currency basis and non-GAAP organic recurring revenue growth on a constant currency basis for the same periods.

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

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

Historical Financial Statements Being Presented: In these materials, Blackbaud is presenting the following unaudited historical financial information: historical consolidated balance sheets as of the fiscal years ended December 31, 2022 and 2021 and interim consolidated balance sheets for each of the quarters within fiscal 2022 and 2021; historical consolidated statements of comprehensive income for the fiscal years ended December 31, 2022 and 2021 and interim consolidated statements of comprehensive income for each of the quarters within fiscal 2022 and 2021; historical consolidated statements of cash flows for the fiscal years ended December 31, 2022 and 2021 and interim consolidated statements of cash flows for each of the interim year-to-date periods within fiscal 2022 and 2021; and historical non-GAAP financial information for the fiscal years ended December 31, 2022 and 2021 and for each of the quarters within fiscal 2022 and 2021 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

- World's leading cloud software company powering social good
- Portfolio tailored to the unique needs of vertical markets, with solutions for fundraising and CRM, marketing, advocacy, peer-to-peer fundraising, CSR and ESG, school management, ticketing, grantmaking, financial management, payment processing and analytics
- Founded in 1981 with initial public offering in 2004 – serving the industry for over four decades with demonstrated track record
- Remote-first company headquartered in Charleston, South Carolina

\$1B+

annual recurring revenue¹

40,000+

customers under contract²

3,000+

remote employees

Millions

of users and supporters in 100+ countries

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

Key messages

1

Clear leader in a large, resilient and growing global market

2

Rapidly innovating on the most comprehensive solution set of purpose-built and mission critical cloud software and services in the market

3

Executing strategy driving accelerated revenue growth and significant margin expansion

4

Resilient and durable business model with strong cash generation and balanced capital allocation approach

Goal to achieve **mid-single digit** organic revenue growth and **40%+** using a Rule of 40 framework



01

Our Markets

02

Key Differentiators

03

Strategy for Growth

04

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
-  Nonprofit

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

\$100+ Billion

raised, granted and invested annually by our customers¹

Millions

of users and supporters across 100+ countries



¹ Internal statistics

Driving significant value for our customers

\$4.3B

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

300K

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

\$400K

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



200%

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

100x

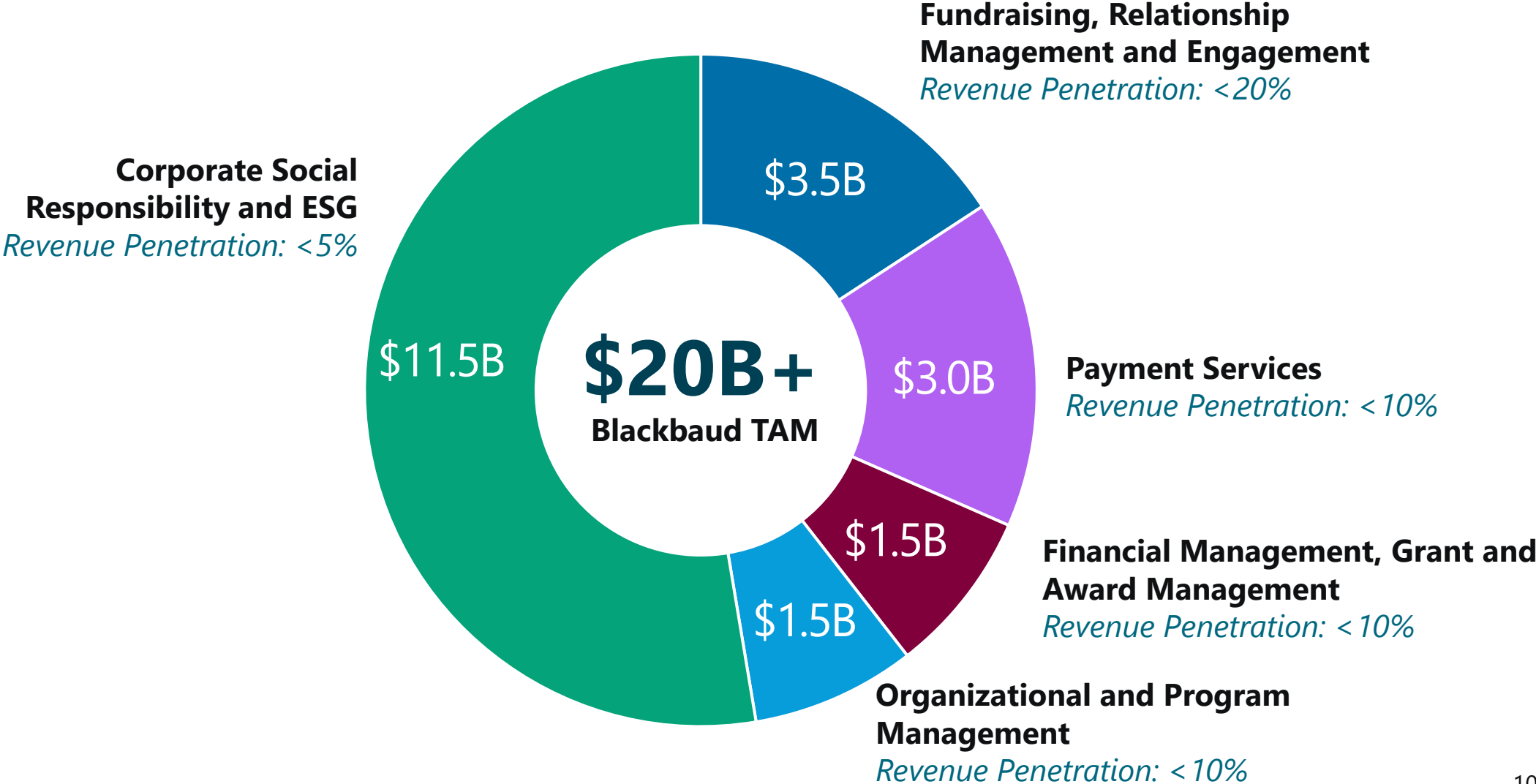
reduction in time setting up tuition account with Blackbaud's suite of education management solutions

350%

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

Sourced from Blackbaud [customer stories](#)

Large and underpenetrated total addressable market



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



01

Our Markets

02

Key Differentiators

03

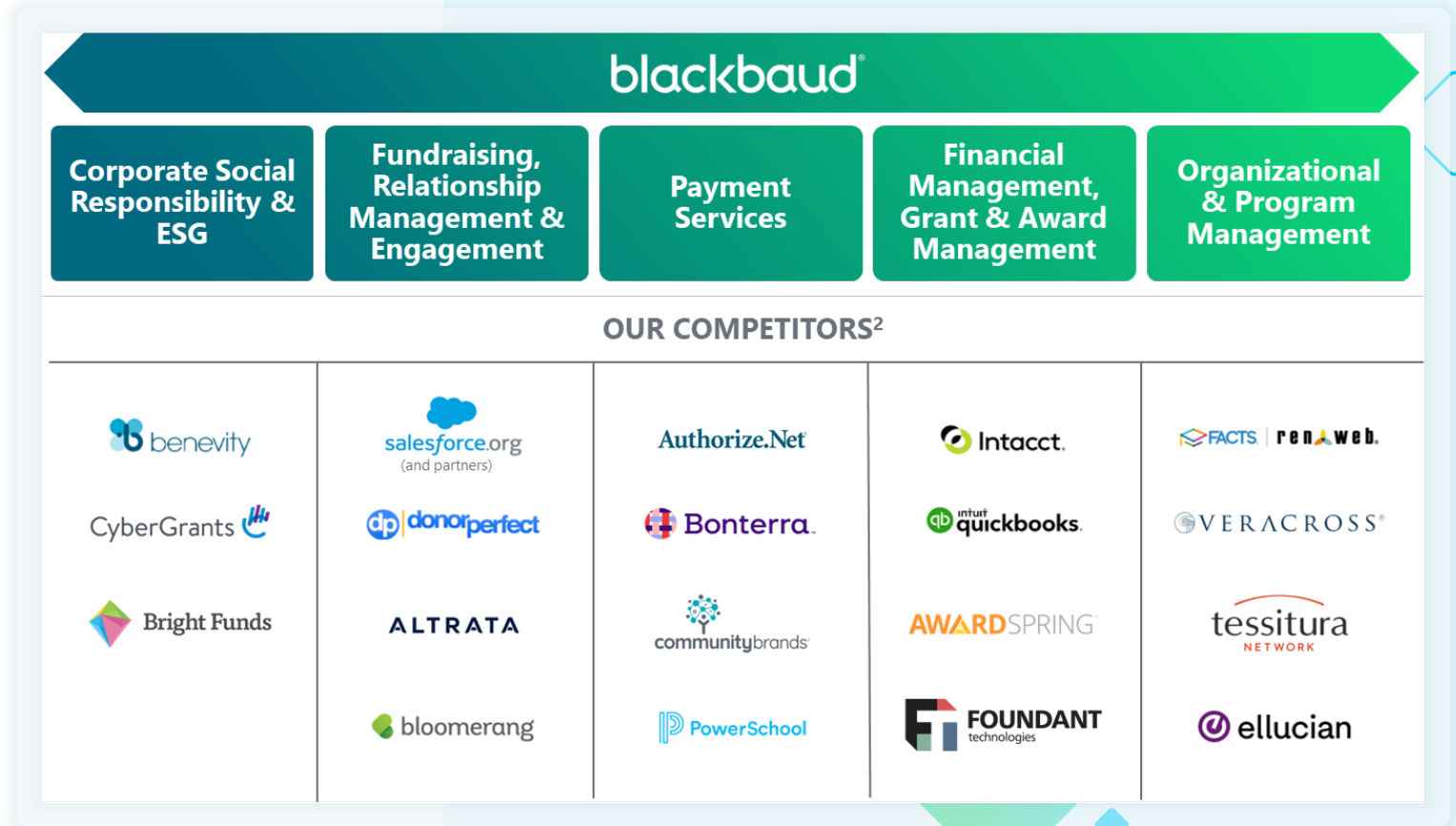
Strategy for Growth

04

Financial Strategy

Most comprehensive solution set 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 **91% customer retention**
- **Strong balance sheet and cash flow** to support strategic acquisitions and internal product development

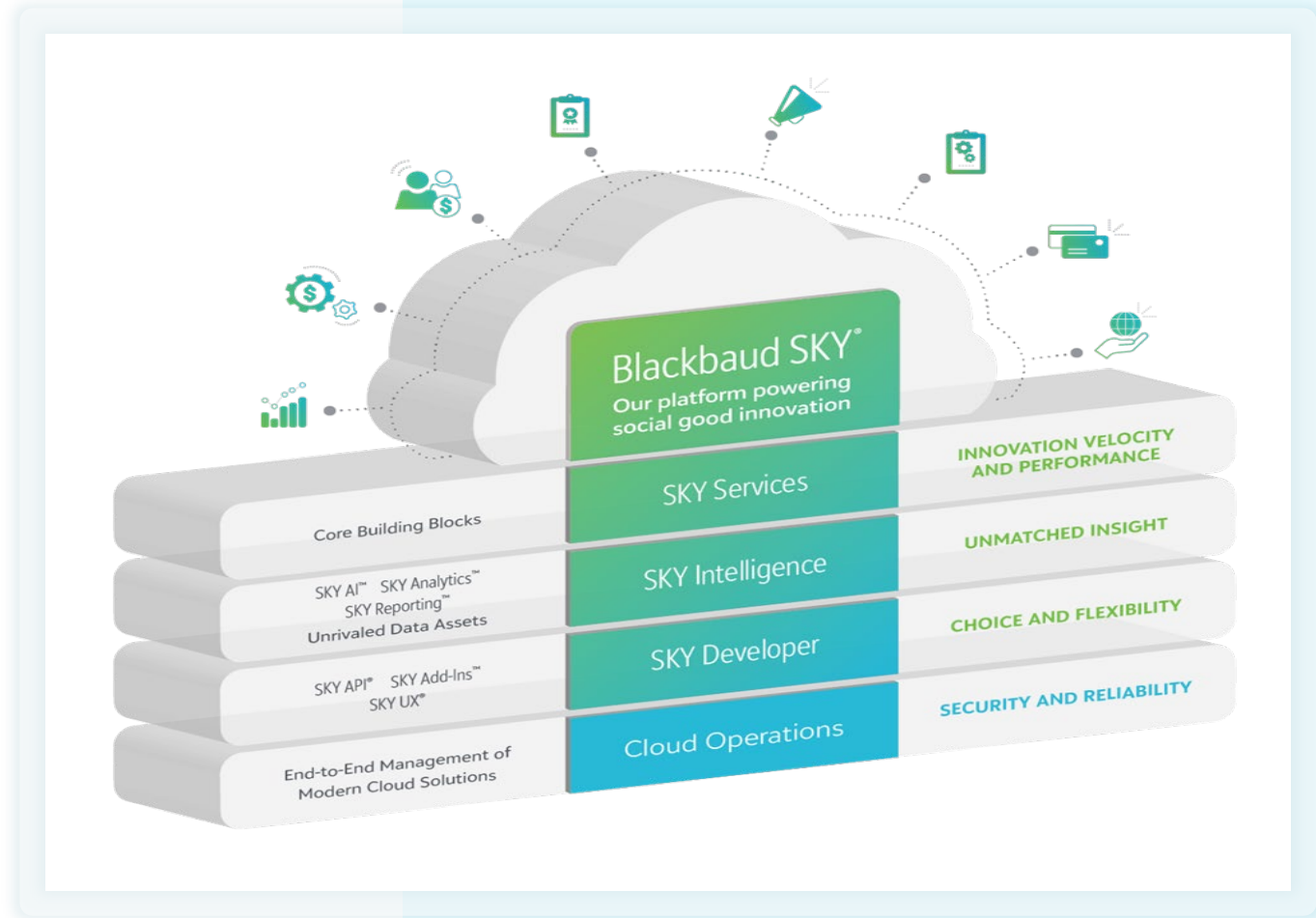


¹ IDC Top 40 largest cloud software provider worldwide, 2020

² Informed by internal competitive intelligence and analysis

Built on industry leading cloud technology

- 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



Cloud Software

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



Services

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



Data Intelligence

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



Expertise

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

A culture built on unmatched commitment to social good



Stronger together.



Powered by purpose.



Inspired to innovate.



Always aiming higher.

7 out of 10

employees volunteer

145

grants made in 80 cities globally

600+

engineers; largest R&D investment in the sector

35%

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

~100

Blackbaud team volunteer projects completed across five countries

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

01

Our Markets

02

Key Differentiators

03

Strategy for Growth

04

Financial Strategy

Growth and margin expansion 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

\$14B+

in TAM added through
acquisitions and new
solution builds

2014	+	 WhippleHill
2014	+	 MicroEdge
2015	+	 SMART TUITION™
2016	+	 Attentive.ly
2017	+	 academicworks
2017	+	 JustGiving™
2018	+	 Reeher
2019	+	 YourCause
2021	+	 EVERFI

Acquisition strategy

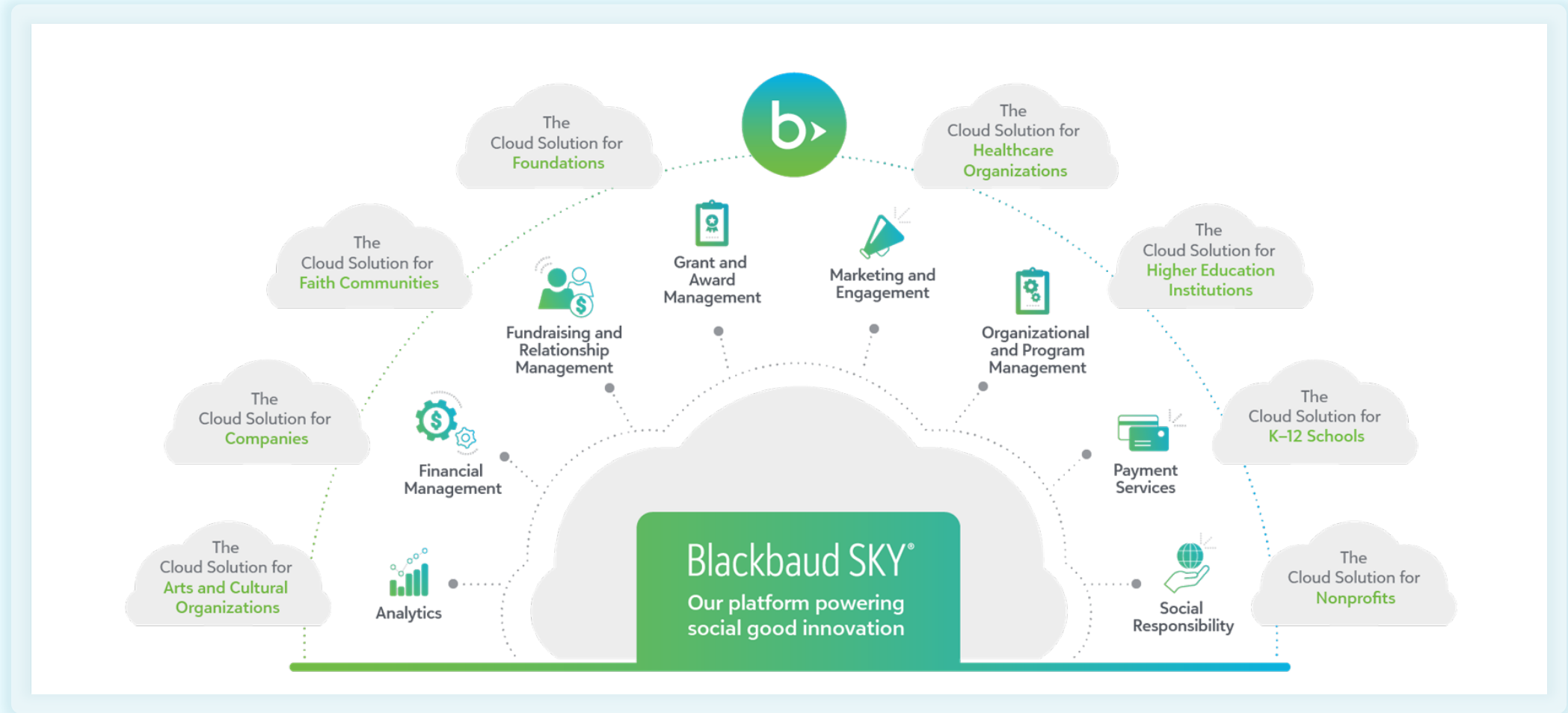
- ✓ Expand TAM into near adjacencies
- ✓ Accelerate shift to the cloud
- ✓ Accelerate revenue growth
- ✓ Accretive to operating margin

Lead with world class teams and operations

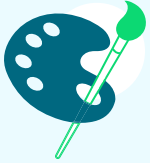
- **Vertical go-to-market** focused on customer needs and solution selling
- **Centers of Excellence** support functions with common systems, metrics and measurement
- **Continuous productivity improvement** across all functions of the organization



Delight customers with innovative cloud solutions



Focus on employees, culture and ESG initiatives



Environmental

Achieved carbon neutrality across operations and data centers for 2021

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

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

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

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

Adopted a **Stockholder Rights Plan** to protect the interests of all stockholders

01

Our Markets

02

Key Differentiators

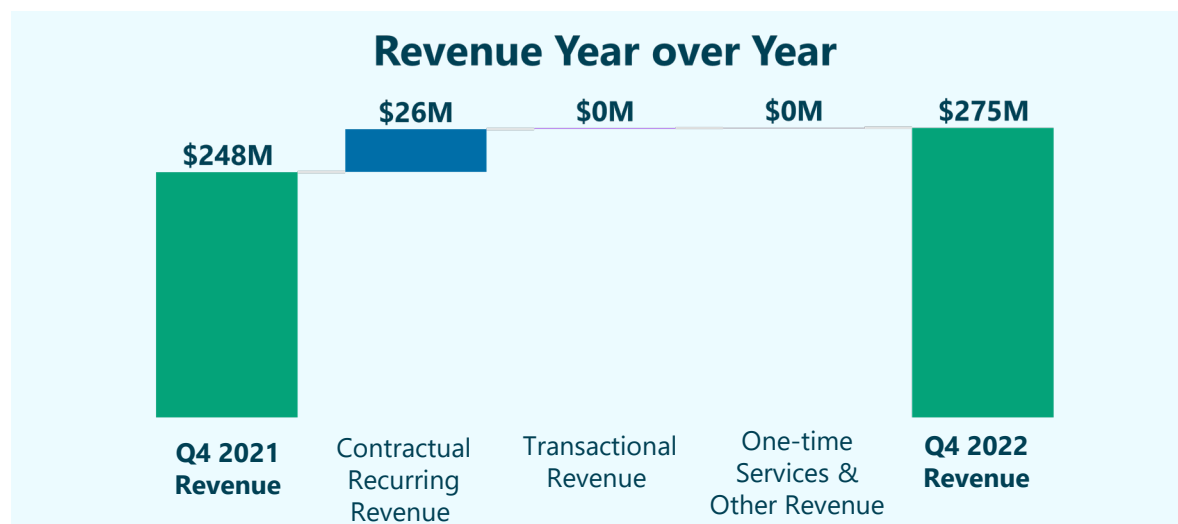
03

Strategy for Growth

04

Financial Strategy

Solid Q4 2022 financial performance



Contractual recurring revenue

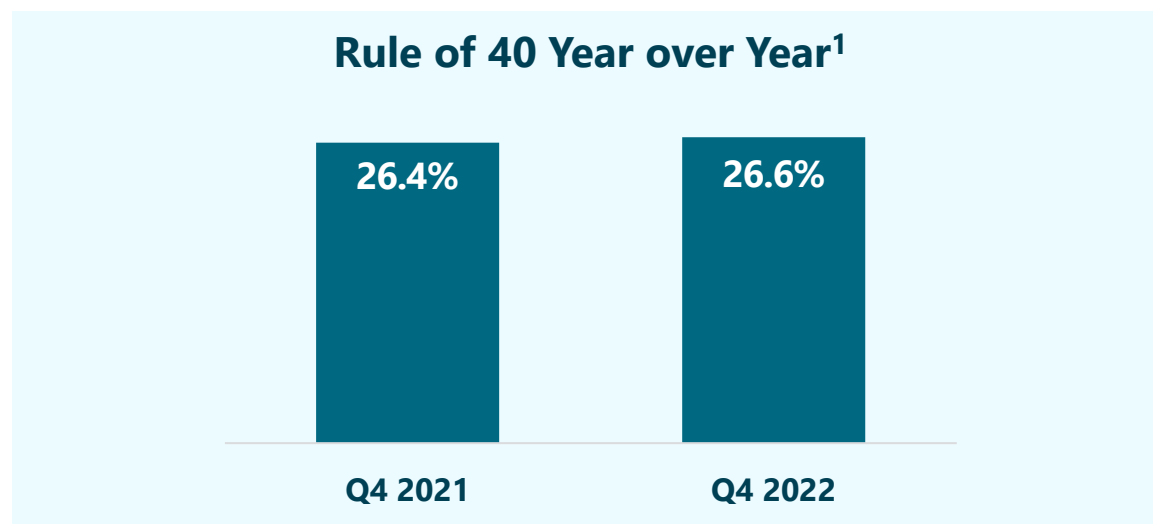
- Benefitting from addition of EVERFI recurring revenue, continued improvement to customer renewal rates and strong bookings in the quarter

Transactional revenue

- Experienced heightened variability in the quarter related to payment services in the US

One-time services & other revenue

- Less than 5% of total revenues in line with intentional shift in mix toward higher margin recurring revenues
- Roughly one point of drag on organic revenue growth in the quarter



Rule of 40 Highlights:

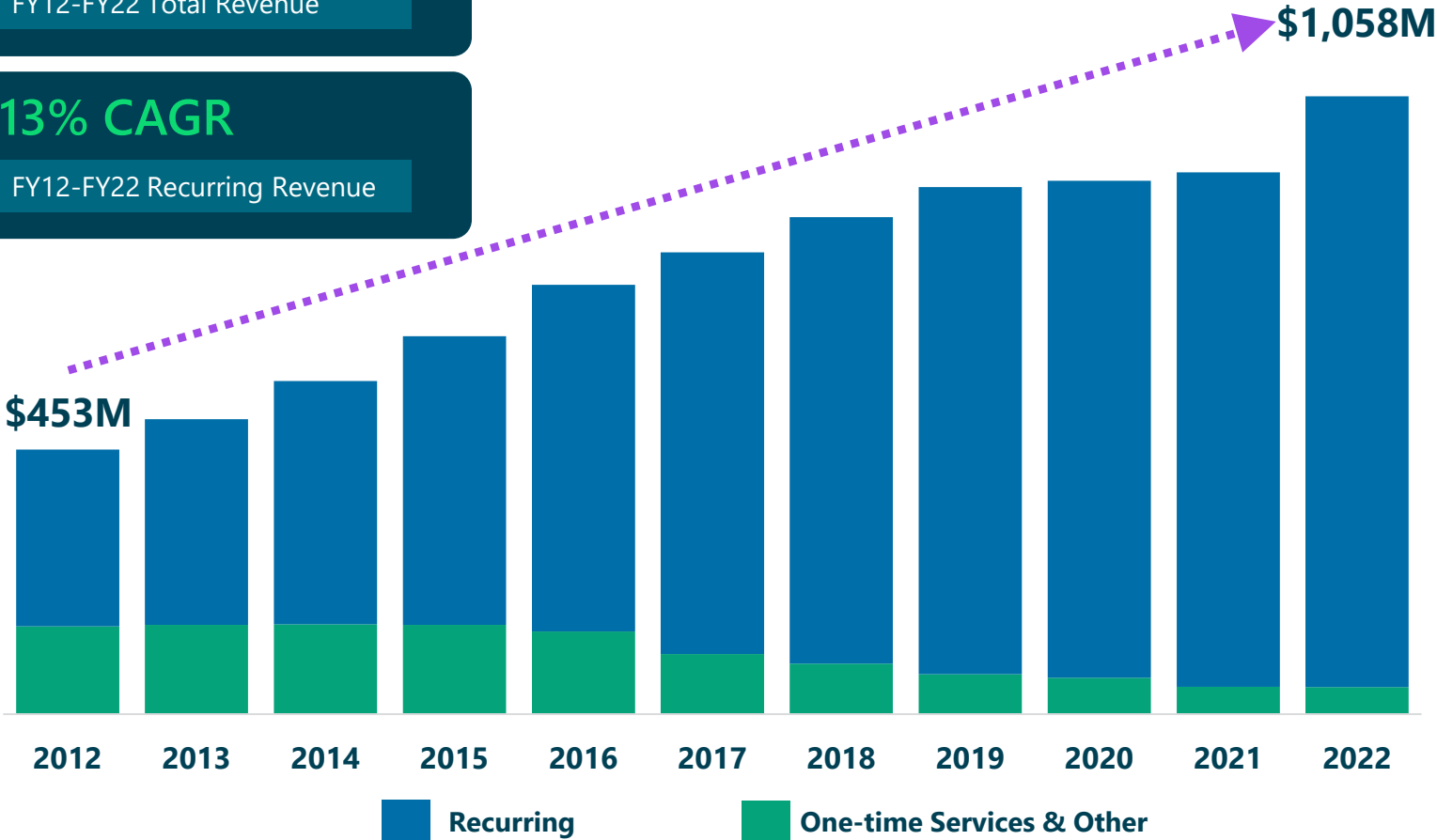
- Modest YoY increase largely driven by an improved adjusted EBITDA margin
- FY 2022 Rule of 40 was 29%, a two-point improvement over 2021
- Remain focused on improvements across the business as we build on the strong operational execution in 2022 and progress along our Rule of 40 journey
- Targeting 34% on Rule of 40 performance at the midpoint of 2023 FY financial guidance, which will be a five-point improvement over 2022

¹ Non-GAAP performance through 12/31/22. Rule of 40 measured by non-GAAP organic revenue growth on constant currency basis plus non-GAAP Adjusted EBITDA margin shown on constant currency basis. Non-GAAP adjusted EBITDA is defined as GAAP net income plus interest, net; income tax provision (benefit); depreciation; amortization of intangible assets from business combinations; amortization of software and content development costs; stock-based compensation; acquisition and disposition-related costs; employee severance; restructuring and other real estate activities; costs, net of insurance, related to the previously disclosed security incident discovered in May 2020 (the "Security Incident"); and impairment of capitalized software development costs. Please refer to the appendix of this presentation.

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

9% CAGR
FY12-FY22 Total Revenue

13% CAGR
FY12-FY22 Recurring Revenue

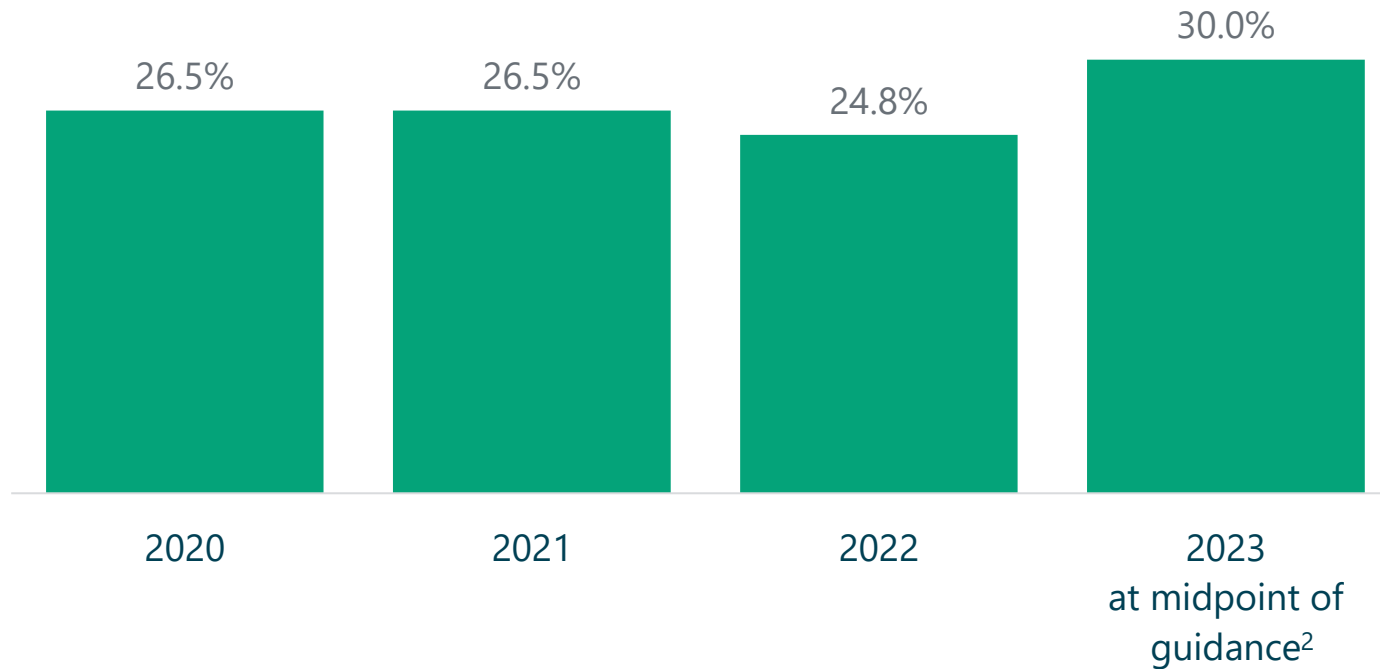


- Recurring 96% of total revenue in 2022
- Execution of successful M&A strategy has grown the revenue base and accelerated growth and the shift to the cloud
- Multiple levers to drive meaningful growth going forward including pricing initiatives across all revenue streams

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

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

Adjusted EBITDA Margin¹



Leverage opportunities for future expansion:

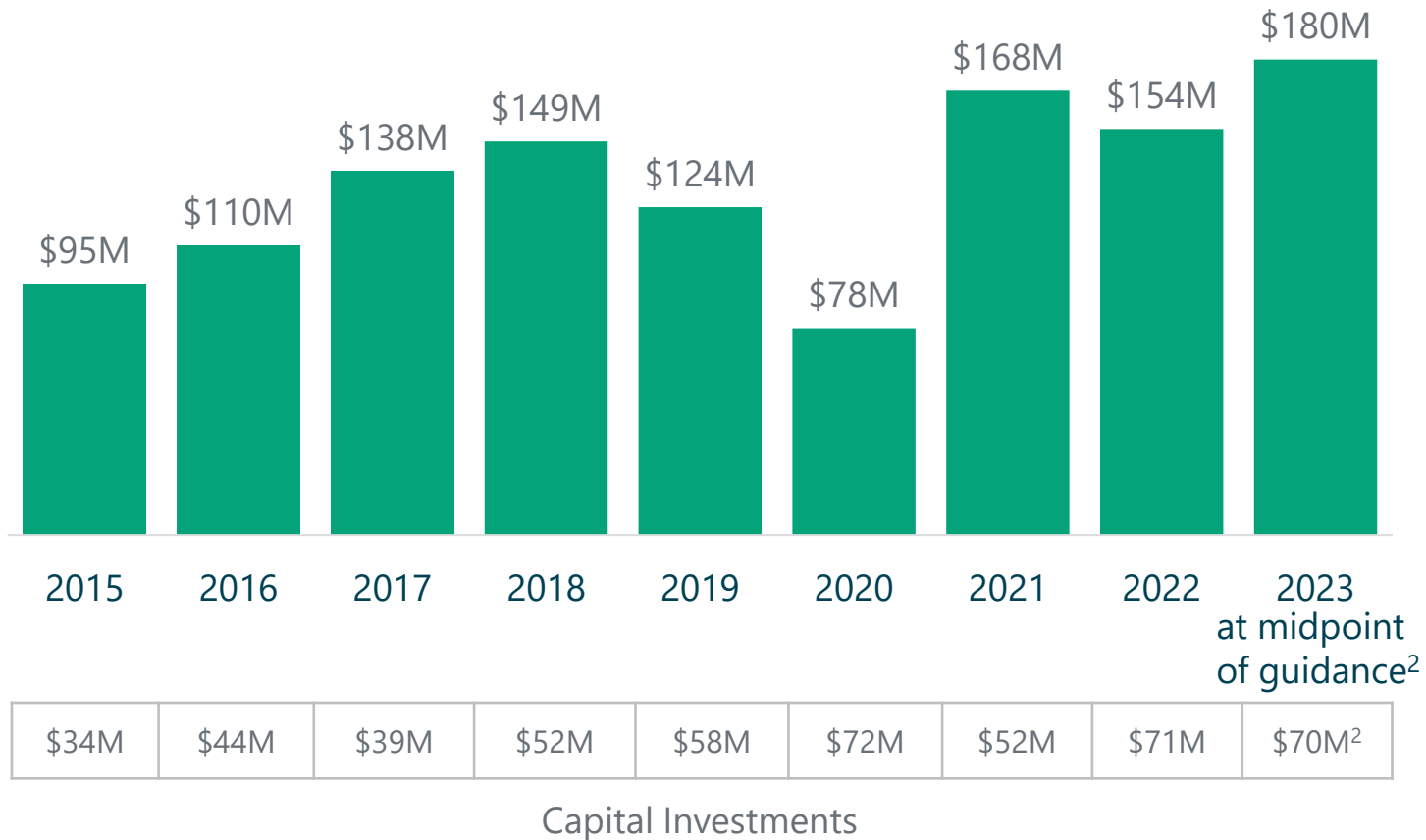
- **Pricing:** Double benefit on many initiatives as much of the upside falls through to profit
- **Scaling Infrastructure:** Laser-focused on cost management and operational scale including workforce rebalance and shift to third-party cloud infrastructure with four data center closures in 2022
- **Go-to-Market Efficiency:** Focused on digital first lead generation, market coverage and sales velocity
- **Engineering and Innovation:** Investing in innovative cloud solutions

¹Non-GAAP adjusted EBITDA margin.

²At midpoint of 2023 financial guidance. Financial goals represent full year targets.

Strong free cash flow generation

Adjusted Free Cash Flow¹



Free cash flow margin inclusive of investments:

- Focused on go-to-market model
- Innovation and new solution builds
- Security and cloud infrastructure
- Global workplace strategy

¹Starting in 2022, Blackbaud 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 previously disclosed Security Incident discovered in May 2020. Free cash flow starting in 2020 reflects adjusted figure.

²At midpoint of 2023 financial guidance. Financial goals represent full year targets.

Capital strategy increases shareholder value

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

Accelerate performance in Rule of 40 framework

Capital investments consistent with solution roadmaps and strategy

Constant pursuit of operational efficiencies

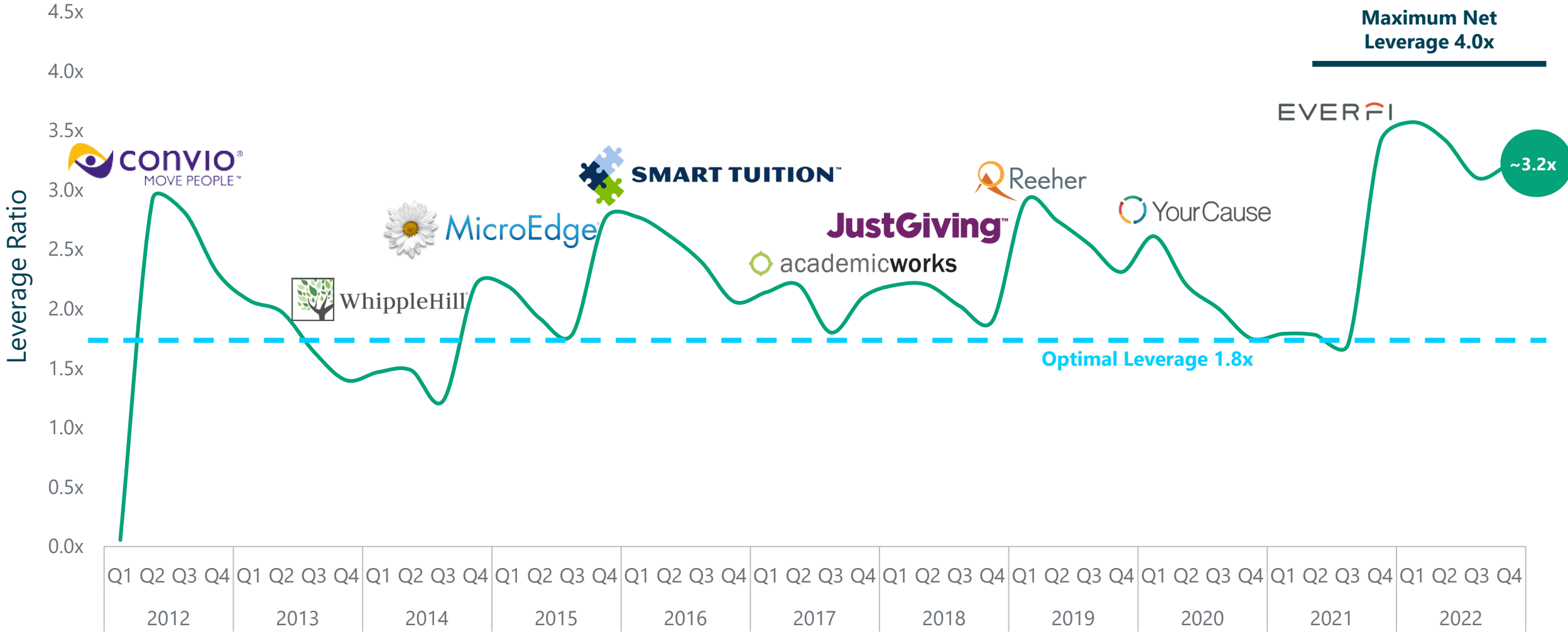
Drives future cash generation

Return capital to shareholders

Focused on rapidly deleveraging in the near-term

Opportunistically repurchase shares through Board-authorized program when adequate capital is available

Proven history of rapid deleveraging post-acquisition



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

2023 Total company guidance

Metric		Mid-Point
Total Revenue	\$1,080M - \$1,110M	\$1,095M
Adjusted EBITDA Margin	29.5% - 30.5%	30%
Diluted EPS	\$3.30 - \$3.60	\$3.45
Adjusted Free Cash Flow	\$170M - \$190M	\$180M



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



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



Targeting ~34% on Rule of 40 at the midpoint of guidance



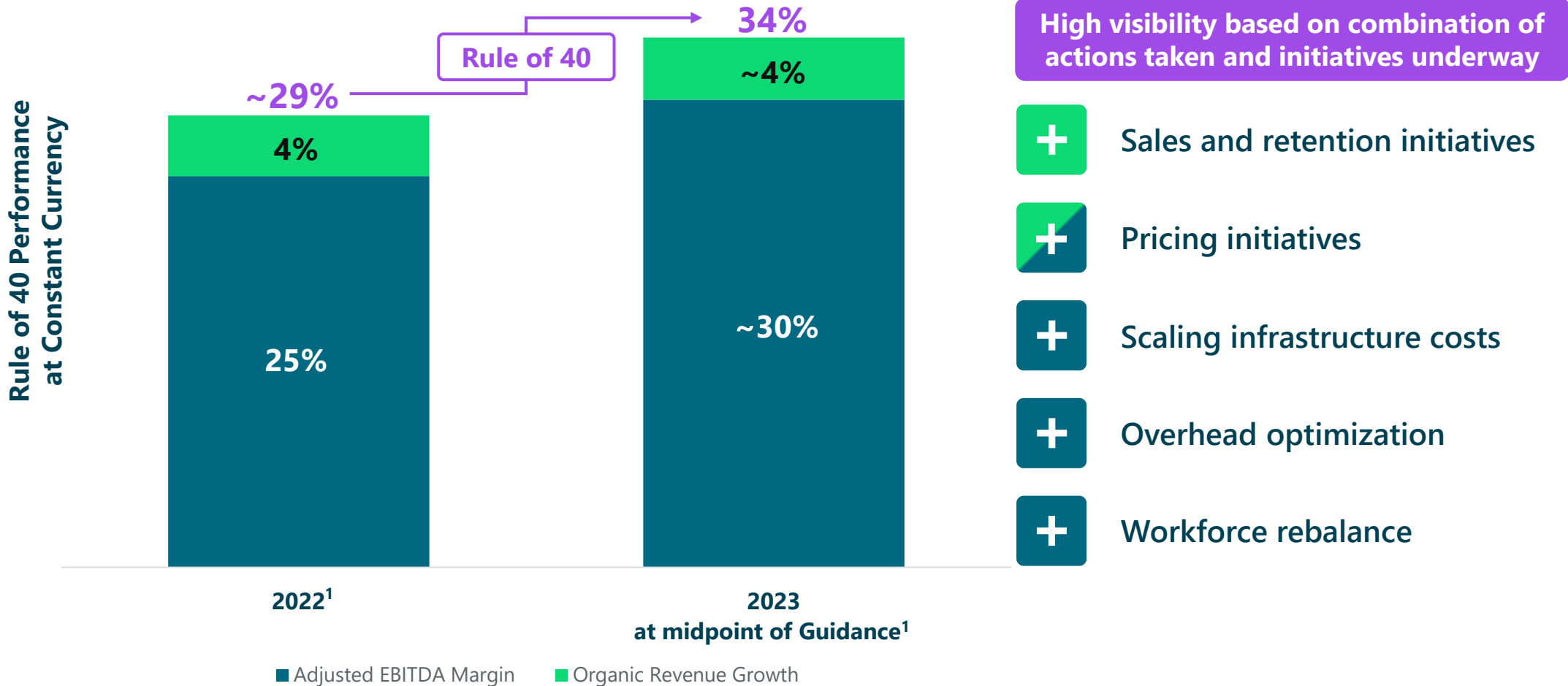
Guidance de-risked for current macro uncertainty, minimizing downside risk

Non-GAAP. Mid-point presented for illustration only, not as a prediction of 2023 performance. Assumptions included in full year 2023 financial guidance: Non-GAAP annualized effective tax rate of 20%; Interest expense for the year of \$40M - \$44M; 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 December 31, 2022, we have recorded approximately \$23 million in aggregate liabilities for loss contingencies related to the Security Incident that we believe we can reasonably estimate. It is reasonably possible that actual losses in the future for those matters will be in excess of the amounts accrued, but we are unable at this time to reasonably estimate the possible additional loss. There are other Security Incident-related matters, including customer claims, customer constituent class actions and governmental investigations, for which we have not recorded a liability for a loss contingency as of December 31, 2022 because we are unable at this time to reasonably estimate the possible loss or range of loss. Please refer to the section below titled "Non-GAAP Financial Measures" for more information on Blackbaud's use of non-GAAP financial measures.

High visibility to step-level Rule of 40 acceleration in 2023

Driven by substantial adjusted EBITDA margin expansion



¹At constant currency. Financial goals represent full year targets. 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.



Maximizing shareholder value



A clear leader in a **large, resilient and growing global market**

Committed to a clear strategy focused on achieving 'Rule of 40' exiting 2025

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

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

(dollars in thousands)	Years ended		Three months ended				Year ended	Three months ended			
	12/31/2022	12/31/2021	12/31/2022	09/30/2022	06/30/2022	03/31/2022	12/31/2021	12/31/2021	09/30/2021	06/30/2021	03/31/2021
GAAP revenue	\$ 1,058,105	\$ 927,740	\$ 274,757	\$ 261,297	\$ 264,927	\$ 257,124	\$ 927,740	\$ 247,891	\$ 231,218	\$ 229,440	\$ 219,191
GAAP revenue growth	14.1 %		10.8 %	13.0 %	15.5 %	17.3 %					
Add: Non-GAAP acquisition-related revenue ⁽¹⁾	—	104,378	—	—	—	—	104,378	27,322	25,986	25,841	25,229
Less: Non-GAAP revenue from divested businesses ⁽²⁾	—	(1,877)	—	—	—	—	(1,877)	(1,527)	(350)	—	—
Total Non-GAAP adjustments	—	102,501	—	—	—	—	102,501	25,795	25,636	25,841	25,229
Non-GAAP organic revenue ⁽³⁾	\$ 1,058,105	\$ 1,030,241	\$ 274,757	\$ 261,297	\$ 264,927	\$ 257,124	\$ 1,030,241	\$ 273,686	\$ 256,854	\$ 255,281	\$ 244,420
Non-GAAP organic revenue growth	2.7 %		0.4 %	1.7 %	3.8 %	5.2 %					
Non-GAAP organic revenue ⁽³⁾	\$ 1,058,105	\$ 1,030,241	\$ 274,757	\$ 261,297	\$ 264,927	\$ 257,124	1,030,241	\$ 273,686	\$ 256,854	\$ 255,281	\$ 244,420
Foreign currency impact on Non-GAAP organic revenue ⁽⁴⁾	12,313	—	3,599	4,897	2,906	911	—	—	—	—	—
Non-GAAP organic revenue on constant currency basis ⁽⁴⁾	\$ 1,070,418	\$ 1,030,241	\$ 278,356	\$ 266,194	\$ 267,833	\$ 258,035	\$ 1,030,241	\$ 273,686	\$ 256,854	\$ 255,281	\$ 244,420
Non-GAAP organic revenue growth on constant currency basis	3.9 %		1.7 %	3.6 %	4.9 %	5.6 %					
GAAP recurring revenue	1,011,733	880,850	265,173	249,387	252,507	244,666	880,850	238,584	218,530	216,986	206,750
GAAP recurring revenue growth	14.9 %		11.1 %	14.1 %	16.4 %	18.3 %					
Add: Non-GAAP acquisition-related recurring revenue ⁽¹⁾	—	93,500	—	—	—	—	93,500	24,731	22,824	23,157	22,788
Less: Non-GAAP recurring revenue from divested businesses ⁽²⁾	—	(1,858)	—	—	—	—	(1,858)	(1,510)	(348)	—	—
Total Non-GAAP adjustments	—	91,642	—	—	—	—	91,642	23,221	22,476	23,157	22,788
Non-GAAP organic recurring revenue	\$ 1,011,733	\$ 972,492	\$ 265,173	\$ 249,387	\$ 252,507	\$ 244,666	\$ 972,492	\$ 261,805	\$ 241,006	\$ 240,143	\$ 229,538
Non-GAAP organic recurring revenue growth	4.0 %		1.3 %	3.5 %	5.1 %	6.6 %					
Non-GAAP organic recurring revenue ⁽³⁾	\$ 1,011,733	\$ 972,492	\$ 265,173	\$ 249,387	\$ 252,507	\$ 244,666	972,492	\$ 261,805	\$ 241,006	\$ 240,143	\$ 229,538
Foreign currency impact on non-GAAP organic recurring revenue ⁽⁴⁾	10,914	—	3,093	4,419	2,596	806	—	—	—	—	—
Non-GAAP organic recurring revenue on constant currency basis ⁽⁴⁾	\$ 1,022,647	\$ 972,492	\$ 268,266	\$ 253,806	\$ 255,103	\$ 245,472	\$ 972,492	\$ 261,805	\$ 241,006	\$ 240,143	\$ 229,538
Non-GAAP organic recurring revenue growth on constant currency basis	5.2 %		2.5 %	5.3 %	6.2 %	6.9 %					

(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 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.

(3) 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.

(4) 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)	Years ended		Three months ended				Year ended	Three months ended			
	12/31/2022	12/31/2021	12/31/2022	09/30/2022	06/30/2022	03/31/2022	12/31/2021	12/31/2021	09/30/2021	06/30/2021	03/31/2021
GAAP revenue	\$ 1,058,105	\$ 927,740	\$ 274,757	\$ 261,297	\$ 264,927	\$ 257,124	\$ 927,740	\$ 247,891	\$ 231,218	\$ 229,440	\$ 219,191
GAAP revenue growth	14.1 %		10.8 %	13.0 %	15.5 %	17.3 %					
Add: Non-GAAP acquisition-related revenue ⁽¹⁾	—	104,378	—	—	—	—	104,378	27,322	25,986	25,841	25,229
Less: Non-GAAP revenue from divested businesses ⁽²⁾	—	(1,877)	—	—	—	—	(1,877)	(1,527)	(350)	—	—
Total Non-GAAP adjustments	—	102,501	—	—	—	—	102,501	25,795	25,636	25,841	25,229
Non-GAAP organic revenue ⁽³⁾	\$ 1,058,105	\$ 1,030,241	\$ 274,757	\$ 261,297	\$ 264,927	\$ 257,124	\$ 1,030,241	\$ 273,686	\$ 256,854	\$ 255,281	\$ 244,420
Non-GAAP organic revenue growth	2.7 %		0.4 %	1.7 %	3.8 %	5.2 %					
Non-GAAP organic revenue ⁽³⁾	\$ 1,058,105	\$ 1,030,241	\$ 274,757	\$ 261,297	\$ 264,927	\$ 257,124	1,030,241	\$ 273,686	\$ 256,854	\$ 255,281	\$ 244,420
Foreign currency impact on Non-GAAP organic revenue ⁽⁴⁾	12,313	—	3,599	4,897	2,906	911	—	—	—	—	—
Non-GAAP organic revenue on constant currency basis ⁽⁴⁾	\$ 1,070,418	\$ 1,030,241	\$ 278,356	\$ 266,194	\$ 267,833	\$ 258,035	\$ 1,030,241	\$ 273,686	\$ 256,854	\$ 255,281	\$ 244,420
Non-GAAP organic revenue growth on constant currency basis	3.9 %		1.7 %	3.6 %	4.9 %	5.6 %					
GAAP recurring revenue	1,011,733	880,850	265,173	249,387	252,507	244,666	880,850	238,584	218,530	216,986	206,750
GAAP recurring revenue growth	14.9 %		11.1 %	14.1 %	16.4 %	18.3 %					
Add: Non-GAAP acquisition-related recurring revenue ⁽¹⁾	—	93,500	—	—	—	—	93,500	24,731	22,824	23,157	22,788
Less: Non-GAAP recurring revenue from divested businesses ⁽²⁾	—	(1,858)	—	—	—	—	(1,858)	(1,510)	(348)	—	—
Total Non-GAAP adjustments	—	91,642	—	—	—	—	91,642	23,221	22,476	23,157	22,788
Non-GAAP organic recurring revenue	\$ 1,011,733	\$ 972,492	\$ 265,173	\$ 249,387	\$ 252,507	\$ 244,666	\$ 972,492	\$ 261,805	\$ 241,006	\$ 240,143	\$ 229,538
Non-GAAP organic recurring revenue growth	4.0 %		1.3 %	3.5 %	5.1 %	6.6 %					
Non-GAAP organic recurring revenue ⁽³⁾	\$ 1,011,733	\$ 972,492	\$ 265,173	\$ 249,387	\$ 252,507	\$ 244,666	972,492	\$ 261,805	\$ 241,006	\$ 240,143	\$ 229,538
Foreign currency impact on non-GAAP organic recurring revenue ⁽⁴⁾	10,914	—	3,093	4,419	2,596	806	—	—	—	—	—
Non-GAAP organic recurring revenue on constant currency basis ⁽⁴⁾	\$ 1,022,647	\$ 972,492	\$ 268,266	\$ 253,806	\$ 255,103	\$ 245,472	\$ 972,492	\$ 261,805	\$ 241,006	\$ 240,143	\$ 229,538
Non-GAAP organic recurring revenue growth on constant currency basis	5.2 %		2.5 %	5.3 %	6.2 %	6.9 %					

(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 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.

(3) 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.

(4) 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.

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

Three Months Ended December 31, 2022									
(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Security Incident-related costs, net of insurance ⁽¹⁾	Non-GAAP adjustments subtotal	Non-GAAP	
Revenue									
Recurring	\$ 265,173	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 265,173
One-time services and other	9,584	—	—	—	—	—	—	—	9,584
Total revenue	274,757	—	—	—	—	—	—	—	274,757
Cost of revenue									
Cost of recurring	125,300	(2,524)	(11,326)	(471)	—	—	(14,321)	—	110,979
Cost of one-time services and other	10,183	(585)	(360)	(1,316)	—	—	(2,261)	—	7,922
Total cost of revenue	135,483	(3,109)	(11,686)	(1,787)	—	—	(16,582)	—	118,901
Gross profit	139,274	3,109	11,686	1,787	—	—	16,582	—	155,856
<i>Recurring gross margin</i>	52.7 %							5.4 %	58.1 %
<i>One-time services and other gross margin</i>	(6.3)%							23.6 %	17.3 %
Total gross margin	50.7 %							6.0 %	56.7 %
Operating expenses									
Sales, marketing and customer success	57,088	(5,461)	—	(717)	—	—	(6,178)	—	50,910
Research and development	38,177	(6,029)	—	(866)	—	—	(6,895)	—	31,282
General and administrative	58,895	(12,036)	—	(1,100)	(430)	(26,516)	(40,082)	—	18,813
Amortization	662	—	(662)	—	—	—	(662)	—	—
Total operating expenses	154,822	(23,526)	(662)	(2,683)	(430)	(26,516)	(53,817)	—	101,005
Income from operations	(15,548)	26,635	12,348	4,470	430	26,516	70,399	—	54,851
Total operating margin	(5.7)%							25.7 %	20.0 %
Net (loss) income	\$ (21,259)								\$ 35,972
Shares used in computing diluted (loss) earnings per share	51,717								52,923
Diluted (loss) earnings per share	\$ (0.41)								\$ 0.68

(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)

Year Ended December 31, 2022

(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Restructuring and other real estate activities	Security Incident-related costs, net of insurance ⁽¹⁾	Impairment of capitalized software development costs	Non-GAAP adjustments subtotal	Non-GAAP
Revenue										
Recurring	\$ 1,011,733	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,011,733
One-time services and other	46,372	—	—	—	—	—	—	—	—	46,372
Total revenue	1,058,105	—	—	—	—	—	—	—	—	1,058,105
Cost of revenue										
Cost of recurring	463,449	(11,258)	(47,085)	(521)	—	—	—	—	(58,864)	404,585
Cost of one-time services and other	41,940	(3,178)	(1,407)	(1,614)	—	—	—	—	(6,199)	35,741
Total cost of revenue	505,389	(14,436)	(48,492)	(2,135)	—	—	—	—	(65,063)	440,326
Gross profit	552,716	14,436	48,492	2,135	—	—	—	—	65,063	617,779
<i>Recurring gross margin</i>	54.2 %								5.8 %	60.0 %
<i>One-time services and other gross margin</i>	9.6 %								13.3 %	22.9 %
Total Gross Margin	52.2 %								6.2 %	58.4 %
Operating expenses										
Sales, marketing and customer success	221,455	(21,409)	—	(717)	—	—	—	—	(22,126)	199,329
Research and development	156,913	(24,207)	—	(866)	—	—	—	—	(25,073)	131,840
General and administrative	199,908	(50,242)	—	(1,446)	(6,135)	(71)	(55,723)	(2,263)	(115,880)	84,028
Amortization	2,925	—	(2,925)	—	—	—	—	—	(2,925)	—
Total operating expenses	581,201	(95,858)	(2,925)	(3,029)	(6,135)	(71)	(55,723)	(2,263)	(166,004)	415,197
Income from operations	(28,485)	110,294	51,417	5,164	6,135	71	55,723	2,263	231,067	202,582
Total Operating Margin	(2.7)%								21.8 %	19.1 %
Net (loss) income	\$ (45,407)									\$ 140,394
Shares used in computing diluted (loss) earnings per share	51,569									52,208
Diluted (loss) earnings per share	\$ (0.88)									\$ 2.69

(1) Includes Security Incident-related costs incurred, net of probable insurance recoveries. Recorded expenses consisted primarily of payments to third-party service providers and consultants, including legal fees, as well as settlements of customer claims 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 December 31, 2021										
(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	\$ 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>	53.2 %									57.9 %
<i>One-time services and other gross margin</i>	(33.0)%									(11.8)%
Total Gross Margin	50.0 %									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)	—	(2,973)	(12,515)	(494)	(29,197)	—	—	19,737
Amortization	553	—	(553)	—	—	—	(553)	—	—	—
Restructuring	—	—	—	—	—	—	—	—	—	—
Total operating expenses	130,459	(25,805)	(553)	(2,973)	(12,515)	(494)	(42,340)	—	—	88,119
Income from operations	(6,627)	30,899	8,762	2,973	12,515	494	55,643	—	—	49,016
Total Operating Margin	(2.7)%									19.8 %
Net (loss) income	\$ (7,057)									\$ 36,020
Shares used in computing diluted (loss) earnings per share	46,990									48,106
Diluted (loss) earnings per share	\$ (0.15)									\$ 0.75

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 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	\$ 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	
<i>Recurring gross margin</i>	55.6 %										5.2 %	60.8 %
<i>One-time services and other gross margin</i>	(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)	(3,054)	(11,839)	(1,816)	(69,876)			76,386	
Amortization	2,227	—	(2,227)	—	—	—	—	(2,227)			—	
Restructuring	263	—	—	—	—	(263)	—	(263)			—	
Total operating expenses	459,639	(100,427)	(2,227)	(1,481)	(3,054)	(12,102)	(1,816)	(121,107)			338,532	
Income from operations	24,906	120,379	37,039	1,510	3,054	12,102	1,816	175,900			200,806	
Total Operating Margin	2.7 %										18.9 %	21.6 %
Net Income	\$ 5,698										\$ 146,386	
Shares used in computing diluted earnings per share	48,230										48,230	
Diluted earnings per share	\$ 0.12										\$ 3.04	

Historical Consolidated Balance Sheets (Unaudited)

(in thousands)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Assets								
Current assets:								
Cash and cash equivalents	\$ 27,753	\$ 28,288	\$ 27,591	\$ 55,146	\$ 33,786	\$ 29,029	\$ 31,413	\$ 31,691
Restricted cash	255,158	434,567	216,122	596,616	279,594	449,491	343,928	702,240
Accounts receivable, net of allowance	83,333	119,270	105,873	102,726	91,770	149,237	86,704	102,809
Customer funds receivable	945	5,390	6,076	977	2,049	1,194	1,853	249
Prepaid expenses and other current assets	98,095	103,493	102,319	95,506	99,913	98,041	83,639	81,654
Total current assets	465,284	691,008	457,981	850,971	507,112	726,992	547,537	918,643
Property and equipment, net	105,124	104,914	103,346	111,428	112,675	111,865	109,474	107,426
Operating lease right-of-use assets	20,055	22,630	19,652	53,883	51,808	50,036	47,430	45,899
Software and content development costs, net	113,624	116,562	118,860	121,377	126,766	130,329	135,594	141,023
Goodwill	637,113	637,510	635,912	1,058,640	1,056,794	1,051,230	1,047,178	1,050,272
Intangible assets, net	269,118	260,072	249,494	698,052	683,348	664,400	643,994	635,136
Other assets	74,022	70,666	69,699	77,266	90,194	90,670	95,376	94,304
Total assets	\$ 1,684,340	\$ 1,903,362	\$ 1,654,944	\$ 2,971,617	\$ 2,628,697	\$ 2,825,522	\$ 2,626,583	\$ 2,992,703
Liabilities and stockholders' equity								
Current liabilities:								
Trade accounts payable	\$ 35,274	\$ 30,605	\$ 38,388	\$ 22,067	\$ 39,490	\$ 36,640	\$ 36,374	\$ 42,559
Accrued expenses and other current liabilities	53,013	55,808	58,579	100,096	72,195	77,411	78,471	86,002
Due to customers	254,947	438,633	220,785	594,273	278,179	449,402	344,305	700,860
Debt, current portion	12,875	12,911	12,948	18,697	18,116	18,154	18,193	18,802
Deferred revenue, current portion	290,025	339,670	329,426	374,499	350,952	412,712	393,679	382,419
Total current liabilities	646,134	877,627	660,126	1,109,632	758,932	994,319	871,022	1,230,642
Debt, net of current portion	537,924	531,973	514,418	937,483	963,109	921,619	835,881	840,241
Deferred tax liability	54,444	56,227	56,144	148,465	144,590	135,393	131,773	125,759
Deferred revenue, net of current portion	4,495	5,749	4,528	4,247	4,725	3,547	2,920	2,817
Operating lease liabilities, net of current portion	15,744	17,173	13,470	53,386	50,785	48,542	46,400	44,918
Other liabilities	9,439	9,339	9,421	1,344	1,506	1,628	5,775	4,294
Total liabilities	1,268,180	1,498,088	1,258,107	2,254,557	1,923,647	2,105,048	1,893,771	2,248,671
Commitments and contingencies								
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock, \$0.001 par value	62	62	62	66	68	68	68	68
Additional paid-in capital	574,958	605,486	634,406	968,927	993,223	1,020,835	1,048,688	1,075,264
Treasury stock, at cost	(399,583)	(449,877)	(490,456)	(500,911)	(535,585)	(536,511)	(536,968)	(537,287)
Accumulated other comprehensive income	4,163	6,291	3,319	6,522	15,295	7,455	2,716	8,938
Retained earnings	236,560	243,312	249,506	242,456	232,049	228,627	218,308	197,049
Total stockholders' equity	416,160	405,274	396,837	717,060	705,050	720,474	732,812	744,032
Total liabilities and stockholders' equity	\$ 1,684,340	\$ 1,903,362	\$ 1,654,944	\$ 2,971,617	\$ 2,628,697	\$ 2,825,522	\$ 2,626,583	\$ 2,992,703

Historical Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands, except share and per share amounts)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Revenue										
Recurring	\$ 206,750	\$ 216,986	\$ 218,530	\$ 238,584	\$ 880,850	\$ 244,666	\$ 252,507	\$ 249,387	\$ 265,173	\$ 1,011,733
One-time services and other	12,441	12,454	12,688	9,307	46,890	12,458	12,420	11,910	9,584	46,372
Total revenue	219,191	229,440	231,218	247,891	927,740	257,124	264,927	261,297	274,757	1,058,105
Cost of revenue										
Cost of recurring	88,865	94,435	95,823	111,680	390,803	112,174	114,487	111,488	125,300	463,449
Cost of one-time services and other	14,520	13,635	11,858	12,379	52,392	11,188	11,120	9,449	10,183	41,940
Total cost of revenue	103,385	108,070	107,681	124,059	443,195	123,362	125,607	120,937	135,483	505,389
Gross profit	115,806	121,370	123,537	123,832	484,545	133,762	139,320	140,360	139,274	552,716
Operating expenses										
Sales, marketing and customer success	48,793	45,452	44,703	47,366	186,314	55,216	52,737	56,414	57,088	221,455
Research and development	29,179	30,222	31,566	33,606	124,573	39,952	38,333	40,451	38,177	156,913
General and administrative	30,587	32,008	34,733	48,934	146,262	43,762	47,391	49,860	58,895	199,908
Amortization	549	567	558	553	2,227	811	805	647	662	2,925
Restructuring	54	78	131	—	263	—	—	—	—	—
Total operating expenses	109,162	108,327	111,691	130,459	459,639	139,741	139,266	147,372	154,822	581,201
Income (loss) from operations	6,644	13,043	11,846	(6,627)	24,906	(5,979)	54	(7,012)	(15,548)	(28,485)
Interest expense	(5,114)	(5,054)	(4,003)	(3,832)	(18,003)	(7,599)	(8,976)	(9,337)	(9,891)	(35,803)
Other (expense) income, net	(1,010)	487	862	(159)	180	1,121	3,133	4,454	5	8,713
Income (loss) before provision (benefit) for income taxes	520	8,476	8,705	(10,618)	7,083	(12,457)	(5,789)	(11,895)	(25,434)	(55,575)
Income tax provision (benefit)	684	1,745	2,517	(3,561)	1,385	(2,050)	(2,367)	(1,576)	(4,175)	(10,168)
Net (loss) income	\$ (164)	\$ 6,731	\$ 6,188	\$ (7,057)	\$ 5,698	\$ (10,407)	\$ (3,422)	\$ (10,319)	\$ (21,259)	\$ (45,407)
Earnings (loss) per share										
Basic	\$ —	\$ 0.14	\$ 0.13	\$ (0.15)	\$ 0.12	\$ (0.20)	\$ (0.07)	\$ (0.20)	\$ (0.41)	\$ (0.88)
Diluted	\$ —	\$ 0.14	\$ 0.13	\$ (0.15)	\$ 0.12	\$ (0.20)	\$ (0.07)	\$ (0.20)	\$ (0.41)	\$ (0.88)
Common shares and equivalents outstanding										
Basic weighted average shares	47,363,197	47,756,326	47,542,746	46,989,624	47,412,306	51,199,717	51,660,739	51,692,152	51,716,948	51,569,148
Diluted weighted average shares	47,363,197	48,444,874	48,274,072	46,989,624	48,230,438	51,199,717	51,660,739	51,692,152	51,716,948	51,569,148
Other comprehensive income (loss)										
Foreign currency translation adjustment	2,511	1,783	(3,234)	(399)	661	(2,132)	(10,398)	(11,536)	7,906	(16,160)
Unrealized gain (loss) on derivative instruments, net of tax	4,149	345	262	3,602	8,358	10,905	2,558	6,797	(1,684)	18,576
Total other comprehensive income (loss)	6,660	2,128	(2,972)	3,203	9,019	8,773	(7,840)	(4,739)	6,222	2,416
Comprehensive income (loss)	\$ 6,496	\$ 8,859	\$ 3,216	\$ (3,854)	\$ 14,717	\$ (1,634)	\$ (11,262)	\$ (15,058)	\$ (15,037)	\$ (42,991)

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	6 months ended	9 months ended	12 months ended	3 months ended	6 months ended	9 months ended	12 months ended
	03/31/2021	06/30/2021	09/30/2021	12/31/2021	03/31/2022	06/30/2022	09/30/2022	12/31/2022
Cash flows from operating activities								
Net (loss) income	\$ (164)	\$ 6,567	\$ 12,755	\$ 5,698	\$ (10,407)	\$ (13,829)	\$ (24,148)	\$ (45,407)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:								
Depreciation and amortization	20,461	40,742	60,484	82,410	25,545	51,283	76,606	102,369
Provision for credit losses and sales returns	2,141	4,418	7,992	11,450	1,875	3,653	4,374	6,066
Stock-based compensation expense	30,005	60,554	89,480	120,379	27,860	55,714	83,659	110,294
Deferred taxes	(1,142)	276	400	(2,429)	(7,431)	(16,656)	(21,672)	(26,644)
Amortization of deferred financing costs and discount	506	879	1,234	1,570	645	1,254	1,827	2,364
Other non-cash adjustments	(32)	155	(527)	10,490	(150)	4,225	5,677	5,676
Changes in operating assets and liabilities, net of acquisition and disposal of businesses:								
Accounts receivable	10,407	(27,134)	(18,779)	(6,525)	9,010	(50,818)	9,998	(7,340)
Prepaid expenses and other assets	(17,426)	(18,162)	(14,169)	(2,048)	(2,067)	3,685	22,246	26,235
Trade accounts payable	7,550	2,356	10,728	(9,670)	15,919	12,769	14,435	21,607
Accrued expenses and other liabilities	549	1,443	2,790	(8,190)	(13,430)	(8,739)	(7,028)	(2,386)
Deferred revenue	(22,752)	27,828	17,400	10,526	(22,865)	39,238	23,832	11,059
Net cash provided by operating activities	30,103	99,922	169,788	213,661	24,504	81,779	189,806	203,893
Cash flows from investing activities								
Purchase of property and equipment	(3,470)	(6,128)	(8,332)	(11,664)	(4,266)	(7,518)	(10,512)	(12,289)
Capitalized software and content development costs	(9,302)	(19,862)	(29,661)	(40,489)	(12,683)	(27,183)	(42,757)	(58,774)
Purchase of net assets of acquired companies, net of cash and restricted cash acquired	—	—	—	(419,120)	(19,985)	(19,016)	(20,945)	(20,912)
Cash received in sale of business	—	—	—	—	—	—	6,426	6,426
Net cash used in investing activities	(12,772)	(25,990)	(37,993)	(471,273)	(36,934)	(53,717)	(67,788)	(85,549)
Cash flows from financing activities								
Proceeds from issuance of debt	80,700	128,300	128,300	582,200	59,400	113,200	126,900	211,000
Payments on debt	(59,667)	(113,477)	(131,272)	(152,971)	(33,765)	(129,548)	(229,442)	(310,740)
Debt issuance costs	—	—	—	(3,106)	—	—	—	—
Stock issuance costs	—	—	—	—	—	(557)	(1,205)	(1,339)
Employee taxes paid for withheld shares upon equity award settlement	(18,426)	(38,712)	(39,012)	(39,404)	(34,674)	(35,600)	(36,057)	(36,376)
Change in due to customers	(353,597)	(170,061)	(386,973)	(13,464)	(315,294)	(141,001)	(243,109)	111,386
Change in customer funds receivable	(563)	(5,014)	(5,838)	(731)	(1,115)	(546)	(1,291)	380
Purchase of treasury stock	(28,066)	(58,074)	(98,353)	(108,416)	—	—	—	—
Net cash (used in) provided by financing activities	(379,619)	(257,038)	(533,148)	264,108	(325,448)	(194,052)	(384,204)	(25,689)
Effect of exchange rate on cash, cash equivalents, and restricted cash	230	992	97	297	(504)	(7,252)	(14,235)	(10,486)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(362,058)	(182,114)	(401,256)	6,793	(338,382)	(173,242)	(276,421)	82,169
Cash, cash equivalents, and restricted cash, beginning of period	644,969	644,969	644,969	644,969	651,762	651,762	651,762	651,762
Cash, cash equivalents, and restricted cash, end of period	\$ 282,911	\$ 462,855	\$ 243,713	\$ 651,762	\$ 313,380	\$ 478,520	\$ 375,341	\$ 733,931

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 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
GAAP Revenue	\$ 219,191	\$ 229,440	\$ 231,218	\$ 247,891	\$ 927,740	\$ 257,124	\$ 264,927	\$ 261,297	\$ 274,757	\$ 1,058,105
GAAP gross profit	\$ 115,806	\$ 121,370	\$ 123,537	\$ 123,832	\$ 484,545	\$ 133,762	\$ 139,320	\$ 140,360	\$ 139,274	\$ 552,716
GAAP gross margin	52.8 %	52.9 %	53.4 %	50.0 %	52.2 %	52.0 %	52.6 %	53.7 %	50.7 %	52.2 %
Non-GAAP adjustments:										
Add: Stock-based compensation expense	5,358	5,237	4,263	5,094	19,952	4,149	3,764	3,414	3,109	14,436
Add: Amortization of intangibles from business combinations	9,128	8,880	8,595	8,209	34,812	12,489	12,404	11,913	11,686	48,492
Add: Employee severance	—	15	14	—	29	—	381	(33)	1,787	2,135
Subtotal	14,486	14,132	12,872	13,303	54,793	16,638	16,549	15,294	16,582	65,063
Non-GAAP gross profit	\$ 130,292	\$ 135,502	\$ 136,409	\$ 137,135	\$ 539,338	\$ 150,400	\$ 155,869	\$ 155,654	\$ 155,856	\$ 617,779
Non-GAAP gross margin	59.4 %	59.1 %	59.0 %	55.3 %	58.1 %	58.5 %	58.8 %	59.6 %	56.7 %	58.4 %
GAAP income (loss) from operations	\$ 6,644	\$ 13,043	\$ 11,846	\$ (6,627)	\$ 24,906	\$ (5,979)	\$ 54	\$ (7,012)	\$ (15,548)	\$ (28,485)
GAAP operating margin	3.0 %	5.7 %	5.1 %	(2.7)%	2.7 %	(2.3)%	— %	(2.7)%	(5.7)%	(2.7)%
Non-GAAP adjustments:										
Add: Stock-based compensation expense	30,005	30,549	28,926	30,899	120,379	27,860	27,854	27,945	26,635	110,294
Add: Amortization of intangibles from business combinations	9,677	9,447	9,153	8,762	37,039	13,300	13,209	12,560	12,348	51,417
Add: Employee severance	991	451	68	—	1,510	—	462	232	4,470	5,164
Add: Acquisition and disposition-related costs	(33)	64	50	2,973	3,054	957	2,292	2,456	430	6,135
Add: Restructuring and other real estate activities	(111)	118	(420)	12,515	12,102	71	—	—	—	71
Add: Security Incident-related costs, net of insurance ⁽²⁾	1	470	851	494	1,816	7,201	8,348	13,658	26,516	55,723
Add: Impairment of capitalized software development costs	—	—	—	—	—	—	2,263	—	—	2,263
Subtotal	40,530	41,099	38,628	55,643	175,900	49,389	54,428	56,851	70,399	231,067
Non-GAAP income from operations	\$ 47,174	\$ 54,142	\$ 50,474	\$ 49,016	\$ 200,806	\$ 43,410	\$ 54,482	\$ 49,839	\$ 54,851	\$ 202,582
Non-GAAP operating margin	21.5 %	23.6 %	21.8 %	19.8 %	21.6 %	16.9 %	20.6 %	19.1 %	20.0 %	19.1 %
GAAP income (loss) before provision (benefit) for income taxes	\$ 520	\$ 8,476	\$ 8,705	\$ (10,618)	\$ 7,083	\$ (12,457)	\$ (5,789)	\$ (11,895)	\$ (25,434)	\$ (55,575)
GAAP net (loss) income	\$ (164)	\$ 6,731	\$ 6,188	\$ (7,057)	\$ 5,698	\$ (10,407)	\$ (3,422)	\$ (10,319)	\$ (21,259)	\$ (45,407)
Shares used in computing GAAP diluted earnings (loss) per share	47,363,197	48,444,874	48,274,072	46,989,624	48,230,438	51,199,717	51,660,739	51,692,152	51,716,948	51,569,148
GAAP diluted earnings (loss) per share	\$ —	\$ 0.14	\$ 0.13	\$ (0.15)	\$ 0.12	\$ (0.20)	\$ (0.07)	\$ (0.20)	\$ (0.41)	\$ (0.88)
Non-GAAP adjustments:										
Add: GAAP income tax provision (benefit)	684	1,745	2,517	(3,561)	1,385	(2,050)	(2,367)	(1,576)	(4,175)	(10,168)
Add: Total Non-GAAP adjustments affecting income from operations	40,530	41,099	38,628	55,643	175,900	49,389	54,428	56,851	70,399	231,067
Non-GAAP income before provision for income taxes	41,050	49,575	47,333	45,025	182,983	36,932	48,639	44,956	44,965	175,492
Assumed non-GAAP income tax provision ⁽³⁾	8,210	9,915	9,467	9,005	36,597	7,386	9,728	8,991	8,993	35,098
Non-GAAP net income	\$ 32,840	\$ 39,660	\$ 37,866	\$ 36,020	\$ 146,386	\$ 29,546	\$ 38,911	\$ 35,965	\$ 35,972	\$ 140,394
Shares used in computing Non-GAAP diluted earnings per share	48,387,042	48,444,874	48,274,072	48,106,044	48,230,438	52,076,858	51,985,530	52,362,781	52,923,158	52,207,573
Non-GAAP diluted earnings per share	\$ 0.68	\$ 0.82	\$ 0.78	\$ 0.75	\$ 3.04	\$ 0.57	\$ 0.75	\$ 0.69	\$ 0.68	\$ 2.69

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	6 months ended	9 months ended	12 months ended	3 months ended	6 months ended	9 months ended	12 months ended
	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022
GAAP net cash provided by operating activities	30,103	99,922	169,788	213,661	24,504	81,779	189,806	203,893
Less: purchase of property and equipment	(3,470)	(6,128)	(8,332)	(11,664)	(4,266)	(7,518)	(10,512)	(12,289)
Less: capitalized software and content development costs	(9,302)	(19,862)	(29,661)	(40,489)	(12,683)	(27,183)	(42,757)	(58,774)
Non-GAAP free cash flow	\$ 17,331	\$ 73,932	\$ 131,795	\$ 161,508	\$ 7,555	\$ 47,078	\$ 136,537	\$ 132,830
Add: Security Incident-related cash flows, net of insurance	1,416	3,794	4,549	6,739	823	5,164	9,536	20,864
Non-GAAP adjusted free cash flow	\$ 18,747	\$ 77,726	\$ 136,344	\$ 168,247	\$ 8,378	\$ 52,242	\$ 146,073	\$ 153,694

blackbaud[®]

Thank you

