

PRESS RELEASE

Blackbaud Announces 2016 First Quarter Results

*Strong Execution Drives 15.1% Revenue Growth and Improved Profitability;
Reaffirms Full Year Financial Guidance*

Charleston, S.C. (April 27, 2016) - Blackbaud, Inc. (the "Company") (NASDAQ: BLKB), the leading provider of software and services for the global philanthropic community, today announced financial results for its first quarter ended March 31, 2016.

"The philanthropic market remains very strong and the success we're seeing across the portfolio positions us well for future growth," said Mike Gianoni, Blackbaud's president and CEO. "The market is excited about our next generation solutions and we're just beginning to tap the extraordinary opportunity in the cloud with Blackbaud SKY[™]."

First Quarter 2016

Total revenue was \$169.3 million, up 15.1% from one year ago, with \$134.0 million in recurring revenue, representing 79.2% of total revenue. Income from operations increased 30.3% to \$10.4 million, with operating margin increasing 70 basis points to 6.2%. Net income increased 16.6% to \$5.0 million, with diluted earnings per share up \$0.02 to \$0.11.

- Total non-GAAP revenue was \$171.0 million, up from \$150.5 million one year ago, an increase of 13.6%, and an increase of 8.6% on an organic basis adjusted for constant currency.
- Non-GAAP recurring revenue was \$135.8 million, up from \$114.7 million one year ago, an increase of 18.4%, and an increase of 10.3% on an organic basis adjusted for constant currency.
- Non-GAAP recurring revenue was 79.4% of total non-GAAP revenue, highest in the Company's history.
- Non-GAAP income from operations was \$31.6 million, up from \$26.5 million one year ago, an increase of 19.3%. Non-GAAP operating margin was 18.5%, up from 17.6% one year ago.
- Non-GAAP net income was \$19.6 million, up from \$14.9 million one year ago and an increase of 31.0%. Non-GAAP diluted earnings per share was \$0.42, up from \$0.32 one year ago.
- Cash flow from operations was \$0.1 million, down from \$4.2 million one year ago.
- Blackbaud SKY now powers six next generation solutions and has delivered nearly 1,000 rapid updates to highly satisfied customers just six months after its debut. [See press release.](#)
- [SKY UX[™]](#) is now generally available to customers, partners, and developers.
- Independent commissioned Total Economic Impact[™] (TEI) studies, conducted by Forrester Consulting, highlighted the tremendous benefits delivered by Blackbaud fundraising solutions [Raiser's Edge NXT[™]](#) and [Blackbaud CRM[™]](#).

PRESS RELEASE

"The first quarter was a solid start to the year," said Tony Boor, Blackbaud's executive vice president and CFO. "We executed well against our strategic plan, keeping us on track to accelerate revenue growth, improve profitability and achieve our full year guidance."

Dividend

Blackbaud announced today that its Board of Directors has declared a second quarter 2016 dividend of \$0.12 per share payable on June 15, 2016 to stockholders of record on May 27, 2016.

Financial Outlook

No change from the full year financial guidance issued February 2016.

- Non-GAAP revenue of \$725.0 million to \$740.0 million
- Non-GAAP income from operations of \$141.0 million to \$147.0 million
- Non-GAAP operating margin of 19.4% to 19.9%
- Non-GAAP diluted earnings per share of \$1.90 to \$1.98
- Cash flow from operations of \$145.0 million to \$155.0 million

Conference Call Details

What: Blackbaud's Fiscal 2016 First Quarter Conference Call
When: April 28
Time: 8:00 a.m. (Eastern Time)
Live Call: 1-800-862-9098 (domestic) or 1-785-424-1051 (international); passcode 150739.
Webcast: www.blackbaud.com/investorrelations

About Blackbaud

Serving the worldwide philanthropic community for more than 35 years, Blackbaud (NASDAQ: BLKB) combines innovative software and services, and expertise to help organizations achieve their missions. Blackbaud works in over 60 countries to power the passions of approximately 35,000 customers, including nonprofits, K-12 private and higher education institutions, healthcare organizations, foundations and other charitable giving entities, and corporations. The company offers a full spectrum of cloud and on-premises solutions, as well as a resource network that empowers and connects organizations of all sizes. Blackbaud's portfolio of software and services support nonprofit [fundraising and relationship management](#), [digital marketing](#), [advocacy](#), [accounting](#), [payments](#) and [analytics](#), as well as [grant management](#), [corporate social responsibility](#), and [education](#). Organizations use Blackbaud technology to raise, invest, manage, and award more than \$100 billion each year. [Recognized as a top company](#), Blackbaud is headquartered in Charleston, South Carolina and has operations in the United States, Australia, Canada, Ireland, and the United Kingdom. For more information, visit www.blackbaud.com.

PRESS RELEASE

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Forward-looking Statements

Except for historical information, all of the statements, expectations, and assumptions contained in this news release are forward-looking statements which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding: expectations that our revenue will continue to grow and that our operating margins will continue to improve, expectations that we will achieve our projected 2016 full year financial guidance and expectations that effectively managing our capital structure will allow us to seize compelling opportunities that accelerate our shift to the cloud and are accretive to our financial performance. These statements involve a number of risks and uncertainties. Although Blackbaud attempts to be accurate in making these forward-looking statements, it is possible that future circumstances might differ from the assumptions on which such statements are based. In addition, other important factors that could cause results to differ materially include the following: management of integration of acquired companies; uncertainty regarding increased business and renewals from existing customers; a shifting revenue mix that may impact gross margin; continued success in sales growth; risks related to our dividend policy and stock repurchase program, including the possibility that we might discontinue payment of dividends; and the other risk factors set forth from time to time in the SEC filings for Blackbaud, copies of which are available free of charge at the SEC's website at www.sec.gov or upon request from Blackbaud's investor relations department. Blackbaud assumes no obligation and does not intend to update these forward-looking statements, except as required by law. All Blackbaud product names appearing herein are trademarks or registered trademarks of Blackbaud, Inc.

Non-GAAP Financial Measures

Blackbaud has provided in this release financial information that has not been prepared in accordance with GAAP. This information includes non-GAAP revenue, non-GAAP recurring revenue, non-GAAP gross profit, non-GAAP gross margin, non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income and non-GAAP diluted earnings per share. The Company has acquired businesses whose net tangible assets include deferred revenue. In accordance with GAAP reporting requirements, the Company recorded write-downs of deferred revenue to fair value, which resulted in lower recognized revenue. Both on a quarterly and year-to-date basis, the revenue for the acquired businesses is deferred and typically recognized over a one-year period, so Blackbaud's GAAP revenues for the one-year period after the acquisitions will not reflect the full amount of revenues that would have been reported if the acquired deferred revenue was not written down to fair value. The non-GAAP

PRESS RELEASE

measures described above reverse the acquisition-related deferred revenue write-downs so that the full amount of revenue booked by the acquired companies is included, which the Company believes provides a more accurate representation of a revenue run-rate in a given period. In addition to reversing write-downs of acquisition-related deferred revenue, non-GAAP financial measures discussed above exclude the impact of certain items that Blackbaud believes are not directly related to its performance in any particular period, but are for its long-term benefit over multiple periods.

In addition, Blackbaud discusses non-GAAP organic revenue growth, non-GAAP organic revenue growth on a constant currency basis and non-GAAP organic recurring revenue growth, which it believes provides useful information for evaluating the periodic growth of its business on a consistent basis. Each of these measures 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, each of these non-GAAP organic revenue growth measures 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 non-GAAP revenue attributable to those companies, as if there were no acquisition-related write-downs of acquired deferred revenue to fair value as required by GAAP. In addition, each of these non-GAAP organic revenue growth measures excludes prior period revenue associated with divested businesses. The exclusion of the prior period revenue is 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 its current business' organic revenue growth and revenue run-rate.

Unaudited calculations of non-GAAP organic revenue growth, non-GAAP organic revenue growth on a constant currency basis and non-GAAP organic recurring revenue growth for the first quarter of 2016, as well as unaudited reconciliations of those non-GAAP measures to their most directly comparable GAAP measures, are as follows:

PRESS RELEASE

| (dollars in thousands) | Three months ended March 31, | |
|-------------------------------------------------------------------|---------------------------------|------------|
| | 2016 | 2015 |
| GAAP revenue | \$ 169,256 | \$ 146,993 |
| GAAP revenue growth | 15.1% | |
| Add: Non-GAAP acquisition-related revenue ⁽¹⁾ | 1,786 | 12,341 |
| Less: Revenue from divested businesses ⁽²⁾ | — | (395) |
| Total Non-GAAP adjustments | 1,786 | 11,946 |
| Non-GAAP revenue ⁽³⁾ | \$ 171,042 | \$ 158,939 |
| Non-GAAP organic revenue growth | 7.6% | |
| Non-GAAP revenue ⁽³⁾ | \$ 171,042 | \$ 158,939 |
| Foreign currency impact on Non-GAAP revenue ⁽⁴⁾ | 1,527 | — |
| Non-GAAP revenue on constant currency basis ⁽⁴⁾ | \$ 172,569 | \$ 158,939 |
| Non-GAAP organic revenue growth on constant currency basis | 8.6% | |
| GAAP subscriptions revenue | \$ 96,851 | \$ 72,513 |
| GAAP maintenance revenue | 37,160 | 38,896 |
| GAAP recurring revenue | \$ 134,011 | \$ 111,409 |
| GAAP recurring revenue growth | 20.3% | |
| Add: Non-GAAP acquisition-related revenue ⁽¹⁾ | 1,781 | 11,902 |
| Less: Revenue from divested businesses ⁽²⁾ | — | (245) |
| Total Non-GAAP adjustments | 1,781 | 11,657 |
| Non-GAAP recurring revenue | \$ 135,792 | \$ 123,066 |
| Non-GAAP organic recurring revenue growth | 10.3% | |

- (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, and it includes the non-GAAP revenue from the acquisition-related deferred revenue write-down attributable to those companies.
- (2) For businesses divested in the prior fiscal year, non-GAAP organic revenue growth excludes the prior period revenue associated with divested businesses. The exclusion of the prior period revenue is to present the results of the divested business within the results of the combined company for the same period of time in both the prior and current periods.
- (3) Non-GAAP revenue for the prior year periods presented herein will not agree to non-GAAP 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 on a constant currency basis, revenues 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 Canadian Dollar, EURO, British Pound and Australian Dollar.

Additional details of Blackbaud's methodology for calculating non-GAAP organic revenue growth and non-GAAP organic revenue growth on a constant currency basis can be found on the company's investor relations page at www.blackbaud.com/investorrelations.

As previously disclosed, beginning in 2016, Blackbaud now applies a non-GAAP effective tax rate of 32.0% in its calculation of the tax impact on non-GAAP adjustments, which impacts the tax impact related to non-GAAP adjustments, non-GAAP net

PRESS RELEASE

income and non-GAAP diluted earnings per share measures. The non-GAAP effective tax rate utilized will be reviewed annually to determine whether it remains appropriate in consideration of Blackbaud's financial results including its periodic effective tax rate calculated in accordance with GAAP, its operating environment and related tax legislation in effect and other factors deemed necessary. All first quarter 2015 measures of the tax impact related to non-GAAP adjustments included in this news release are calculated under Blackbaud's historical non-GAAP effective tax rate of 39.0%.

Blackbaud uses these non-GAAP financial measures internally in analyzing its financial results and believes they are useful to investors, as a supplement to GAAP measures, in evaluating Blackbaud's ongoing operational performance. Blackbaud believes that these non-GAAP financial measures reflect the Blackbaud's ongoing business in a manner that allows for meaningful period-to-period comparison and analysis of trends in its business. In addition, Blackbaud believes that the use of these non-GAAP financial measures provides additional information 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 Blackbaud's industry, many of which present similar non-GAAP financial measures to investors. However, these non-GAAP financial measures may not be completely comparable to similarly titled measures of other companies due to differences in the exact method of calculation between companies. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures.

Blackbaud, Inc.
Consolidated balance sheets
(Unaudited)

| (dollars in thousands) | March 31, 2016 | December 31, 2015 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 12,084 | \$ 15,362 |
| Restricted cash due to customers | 115,000 | 255,038 |
| Accounts receivable, net of allowance of \$4,541 and \$4,943 at March 31, 2016 and December 31, 2015, respectively | 78,456 | 80,046 |
| Prepaid expenses and other current assets | 48,435 | 48,666 |
| Total current assets | 253,975 | 399,112 |
| Property and equipment, net | 54,543 | 52,651 |
| Software development costs, net | 23,021 | 19,551 |
| Goodwill | 435,994 | 436,449 |
| Intangible assets, net | 284,188 | 294,672 |
| Other assets | 20,207 | 20,901 |
| Total assets | \$ 1,071,928 | \$ 1,223,336 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 18,286 | \$ 19,208 |
| Accrued expenses and other current liabilities | 37,577 | 57,461 |
| Due to customers | 115,000 | 255,038 |
| Debt, current portion | 4,375 | 4,375 |
| Deferred revenue, current portion | 222,415 | 230,216 |
| Total current liabilities | 397,653 | 566,298 |
| Debt, net of current portion | 417,989 | 403,712 |
| Deferred tax liability | 28,546 | 27,996 |
| Deferred revenue, net of current portion | 6,583 | 7,119 |
| Other liabilities | 8,000 | 7,623 |
| Total liabilities | 858,771 | 1,012,748 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock; 20,000,000 shares authorized, none outstanding | — | — |
| Common stock, \$0.001 par value; 180,000,000 shares authorized, 57,496,559 and 56,873,817 shares issued at March 31, 2016 and December 31, 2015, respectively | 57 | 57 |
| Additional paid-in capital | 285,376 | 276,340 |
| Treasury stock, at cost; 10,007,715 and 9,903,071 shares at March 31, 2016 and December 31, 2015, respectively | (205,377) | (199,861) |
| Accumulated other comprehensive loss | (1,091) | (825) |
| Retained earnings | 134,192 | 134,877 |
| Total stockholders' equity | 213,157 | 210,588 |
| Total liabilities and stockholders' equity | \$ 1,071,928 | \$ 1,223,336 |

Blackbaud, Inc.
Consolidated statements of comprehensive income
(Unaudited)

| | Three months ended March 31, | |
|-------------------------------------------------------|---------------------------------|-----------------|
| (dollars in thousands, except per share amounts) | 2016 | 2015 |
| Revenue | | |
| Subscriptions | \$ 96,851 | \$ 72,513 |
| Maintenance | 37,160 | 38,896 |
| Services | 32,414 | 31,306 |
| License fees and other | 2,831 | 4,278 |
| Total revenue | 169,256 | 146,993 |
| Cost of revenue | | |
| Cost of subscriptions | 49,672 | 36,178 |
| Cost of maintenance | 5,323 | 7,502 |
| Cost of services | 24,319 | 26,971 |
| Cost of license fees and other | 602 | 1,161 |
| Total cost of revenue | 79,916 | 71,812 |
| Gross profit | 89,340 | 75,181 |
| Operating expenses | | |
| Sales, marketing and customer success | 35,614 | 28,562 |
| Research and development | 22,779 | 21,276 |
| General and administrative | 19,756 | 16,843 |
| Amortization | 752 | 488 |
| Total operating expenses | 78,901 | 67,169 |
| Income from operations | 10,439 | 8,012 |
| Interest expense | (2,675) | (1,686) |
| Other expense, net | (105) | (287) |
| Income before provision for income taxes | 7,659 | 6,039 |
| Income tax provision | 2,664 | 1,754 |
| Net income | \$ 4,995 | \$ 4,285 |
| Earnings per share | | |
| Basic | \$ 0.11 | \$ 0.09 |
| Diluted | \$ 0.11 | \$ 0.09 |
| Common shares and equivalents outstanding | | |
| Basic weighted average shares | 45,967,863 | 45,529,668 |
| Diluted weighted average shares | 46,757,458 | 46,168,096 |
| Dividends per share | \$ 0.12 | \$ 0.12 |
| Other comprehensive (loss) income | | |
| Foreign currency translation adjustment | 403 | (326) |
| Unrealized loss on derivative instruments, net of tax | (669) | (469) |
| Total other comprehensive loss | (266) | (795) |
| Comprehensive income | \$ 4,729 | \$ 3,490 |

Blackbaud, Inc.
Consolidated statements of cash flows
(Unaudited)

| | Three months ended March 31, | |
|---------------------------------------------------------------------------------------------|---------------------------------|------------------|
| (dollars in thousands) | 2016 | 2015 |
| Cash flows from operating activities | | |
| Net income | \$ 4,995 | \$ 4,285 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 17,609 | 13,678 |
| Provision for doubtful accounts and sales returns | 1,017 | 1,358 |
| Stock-based compensation expense | 7,916 | 5,102 |
| Excess tax benefits from exercise and vesting of stock-based compensation | (1,137) | (584) |
| Deferred taxes | 558 | (886) |
| Amortization of deferred financing costs and discount | 239 | 210 |
| Other non-cash adjustments | (217) | 524 |
| Changes in operating assets and liabilities, net of acquisition and disposal of businesses: | | |
| Accounts receivable | 817 | 555 |
| Prepaid expenses and other assets | 1,846 | 3,633 |
| Trade accounts payable | 139 | (111) |
| Accrued expenses and other liabilities | (24,795) | (18,768) |
| Restricted cash due to customers | 141,055 | 82,140 |
| Due to customers | (141,055) | (82,140) |
| Deferred revenue | (8,883) | (4,765) |
| Net cash provided by operating activities | 104 | 4,231 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (7,837) | (2,521) |
| Capitalized software development costs | (5,798) | (3,129) |
| Net cash used in investing activities | (13,635) | (5,650) |
| Cash flows from financing activities | | |
| Proceeds from issuance of debt | 74,600 | 41,800 |
| Payments on debt | (60,494) | (36,694) |
| Proceeds from exercise of stock options | 3 | 11 |
| Excess tax benefits from exercise and vesting of stock-based compensation | 1,137 | 584 |
| Dividend payments to stockholders | (5,700) | (5,626) |
| Net cash provided by financing activities | 9,546 | 75 |
| Effect of exchange rate on cash and cash equivalents | 707 | (105) |
| Net decrease in cash and cash equivalents | (3,278) | (1,449) |
| Cash and cash equivalents, beginning of period | 15,362 | 14,735 |
| Cash and cash equivalents, end of period | \$ 12,084 | \$ 13,286 |

Blackbaud, Inc.
Reconciliation of GAAP to non-GAAP financial measures
(Unaudited)

| (dollars in thousands, except per share amounts) | Three months ended March 31, | |
|----------------------------------------------------------------|---------------------------------|-------------------|
| | 2016 | 2015 |
| GAAP Revenue | \$ 169,256 | \$ 146,993 |
| Non-GAAP adjustments: | | |
| Add: Acquisition-related deferred revenue write-down | 1,786 | 3,522 |
| Non-GAAP revenue | <u>\$ 171,042</u> | <u>\$ 150,515</u> |
| GAAP gross profit | \$ 89,340 | \$ 75,181 |
| GAAP gross margin | 52.8 % | 51.1 % |
| Non-GAAP adjustments: | | |
| Add: Acquisition-related deferred revenue write-down | 1,786 | 3,522 |
| Add: Stock-based compensation expense | 872 | 901 |
| Add: Amortization of intangibles from business combinations | 9,881 | 7,639 |
| Add: Employee severance | 64 | 596 |
| Subtotal | <u>12,603</u> | <u>12,658</u> |
| Non-GAAP gross profit | <u>\$ 101,943</u> | <u>\$ 87,839</u> |
| Non-GAAP gross margin | 59.6 % | 58.4 % |
| GAAP income from operations | \$ 10,439 | \$ 8,012 |
| GAAP operating margin | 6.2 % | 5.5 % |
| Non-GAAP adjustments: | | |
| Add: Acquisition-related deferred revenue write-down | 1,786 | 3,522 |
| Add: Stock-based compensation expense | 7,916 | 5,102 |
| Add: Amortization of intangibles from business combinations | 10,633 | 8,127 |
| Add: Employee severance | 288 | 1,139 |
| Add: Acquisition-related integration costs | 383 | 484 |
| Add: Acquisition-related expenses | 113 | 73 |
| Subtotal | <u>21,119</u> | <u>18,447</u> |
| Non-GAAP income from operations | <u>\$ 31,558</u> | <u>\$ 26,459</u> |
| Non-GAAP operating margin | 18.5 % | 17.6 % |
| GAAP net income | \$ 4,995 | \$ 4,285 |
| Shares used in computing GAAP diluted earnings per share | 46,757,458 | 46,168,096 |
| GAAP diluted earnings per share | <u>\$ 0.11</u> | <u>\$ 0.09</u> |
| Non-GAAP adjustments: | | |
| Add: Total Non-GAAP adjustments affecting loss from operations | 21,119 | 18,447 |
| Less: Tax impact related to Non-GAAP adjustments | (6,544) | (7,797) |
| Non-GAAP net income | <u>\$ 19,570</u> | <u>\$ 14,935</u> |
| Shares used in computing Non-GAAP diluted earnings per share | 46,757,458 | 46,168,096 |
| Non-GAAP diluted earnings per share | <u>\$ 0.42</u> | <u>\$ 0.32</u> |

Blackbaud, Inc.
Reconciliation of GAAP to Non-GAAP financial measures (continued)
(Unaudited)

| | Three months ended March 31, | |
|---------------------------------------------------------------------|-----------------------------------------|-----------------|
| (dollars in thousands) | 2016 | 2015 |
| Detail of certain Non-GAAP adjustments: | | |
| Stock-based compensation expense: | | |
| Included in cost of revenue: | | |
| Cost of subscriptions | \$ 281 | \$ 143 |
| Cost of maintenance | 123 | 161 |
| Cost of services | 468 | 597 |
| Total included in cost of revenue | 872 | 901 |
| Included in operating expenses: | | |
| Sales, marketing and customer success | 901 | 701 |
| Research and development | 1,535 | 978 |
| General and administrative | 4,608 | 2,522 |
| Total included in operating expenses | 7,044 | 4,201 |
| Total stock-based compensation expense | \$ 7,916 | \$ 5,102 |
| Amortization of intangibles from business combinations: | | |
| Included in cost of revenue: | | |
| Cost of subscriptions | \$ 7,811 | \$ 5,772 |
| Cost of maintenance | 1,332 | 1,153 |
| Cost of services | 653 | 607 |
| Cost of license fees and other | 85 | 107 |
| Total included in cost of revenue | 9,881 | 7,639 |
| Included in operating expenses | 752 | 488 |
| Total amortization of intangibles from business combinations | \$ 10,633 | \$ 8,127 |