



# Blackbaud Investor Presentation

blackbaud®

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**TICKER: BLKB**

*February 10, 2020*

# Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements in this presentation consist of, among other things, statements regarding future operating results, all of which are based on current expectations, estimates, and forecasts, and the beliefs and assumptions of the Company's management. Words such as "expects," "anticipates," "aims," "projects," "intends," "plans," "likely," "will," "should," "believes," "estimates," "seeks," variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations expressed in this presentation include: expectations for achievement of 2020 financial guidance; risks associated with fluctuations in foreign exchange rates and the related impact on 2020 financial guidance; expectations for continuing to successfully execute the Company's growth and operational improvement strategies; expectations of future growth in the global giving 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 the consolidation of legacy systems into 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 acquisitions; risks inherent in the expansion of our international operations; risks related to the vote by the United Kingdom to leave 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, dividend policy 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 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](http://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 reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures.

Blackbaud discusses non-GAAP organic revenue growth measures, including non-GAAP organic revenue growth, non-GAAP organic revenue growth on a constant currency basis and non-GAAP organic recurring revenue growth, which Blackbaud believes provide useful information for evaluating the periodic growth of its business as well as growth on a consistent basis. Each measure of non-GAAP organic revenue growth excludes incremental acquisition-related revenue attributable to companies acquired in the current fiscal year. For companies acquired in the immediately preceding fiscal year, if any, each measure of non-GAAP organic revenue growth reflects presentation of full year incremental non-GAAP revenue derived from such companies as if they were combined throughout the prior period, and it includes the current period non-GAAP revenue attributable to those companies, as if there were no acquisition-related write-downs of acquired deferred revenue to fair value as required by GAAP. 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, 2019 and 2018 and the interim periods therein; calculations for recurring revenue growth and total revenue growth for the twelve-month period ended December 31, 2019 and the interim periods therein; and calculations of non-GAAP organic recurring revenue growth, non-GAAP organic revenue growth and non-GAAP organic revenue growth on a constant currency basis for the same periods.

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

**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, 2019 and 2018 and interim consolidated balance sheets for each of the quarters within fiscal 2019 and 2018; historical consolidated statements of comprehensive income for the fiscal years ended December 31, 2019 and 2018 and interim consolidated statements of comprehensive income for each of the quarters within fiscal 2019 and 2018; historical consolidated statements of cash flows for the fiscal years ended December 31, 2019 and 2018 and interim consolidated statements of cash flows for each of the interim year-to-date periods within fiscal 2019 and 2018; and historical non-GAAP financial information for the fiscal years ended December 31, 2019 and 2018 and for each of the quarters within fiscal 2019 and 2018 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. In order to provide comparability between periods presented, certain previously reported historical financial information has been reclassified to conform to the presentation of the most recent reporting period, which is discussed in more detail with that information. In addition, certain of the unaudited historical financial statements have been adjusted for the effects of recently adopted accounting pronouncements, which are discussed in more detail with that information.

**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 and non-GAAP organic recurring revenue growth can be found in the Appendix to these materials and on the "Investor Relations" page of the Company's website.

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

# Key Messages



The leader in a  
large and  
growing market



Highly  
differentiated  
from the  
competition



Executing a clear  
four-point growth  
strategy

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Our Markets

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Key  
Differentiators

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Strategy for  
Growth

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Financial  
Strategy

# Social good is a significant global sector

-  ARTS AND CULTURAL ORGANIZATIONS
-  COMPANIES
-  FAITH COMMUNITIES
-  FOUNDATIONS
-  HEALTHCARE ORGANIZATIONS

-  HIGHER EDUCATION INSTITUTIONS
-  INDIVIDUAL CHANGE AGENTS
-  K-12 SCHOOLS
-  NONPROFITS



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

**\$100B+**  
raised, granted, and invested in their programming by our customers each year<sup>1</sup>

**Millions**  
of users across 100+ countries<sup>1</sup>

**80%**  
of the most influential nonprofits<sup>2</sup>

**1 out of 3**  
Fortune 500 companies<sup>3</sup>

**30 of 32**  
largest nonprofit hospitals<sup>4</sup>

**93%**  
of higher education institutions with billion-dollar campaigns<sup>5</sup>

**25**  
of the largest Catholic Dioceses in the US<sup>1</sup>

**150+**  
experts dedicated to arts and cultural organizations<sup>1</sup>

**A PROVEN LEADER**



**Among the Top 30 Largest Cloud Software Providers Worldwide, 2019**






**Nonprofit CRM Solution**



**Nonprofit Financial Accounting Solution**




**Blackbaud's K-12 Solutions**

Source: (1) Internal Statistics, (2) Top 50 listed by The Street.com featured by MSN, (3) Fortune 500, (4) Becker's Hospital Review, (5) Council for Advancement and Support of Education

# Driving significant value for our customers

**\$10M**

in contribution revenue  
in first 30 days post-implementation  
for Fellowship of Christian Athletes

**+335%**

Marshfield Clinic Health System  
exceeded their fundraising goal for  
their ALS Steps for Hope event



**\$3.5M**

raised by Brown University  
in 24 hours, a 63% increase  
in year over year fundraising  
on #GivingTuesday

**100%**

participation in employee  
volunteering program  
achieved by Berkshire Bank

**2 weeks**

saved off month-end  
close process for  
Acero Schools in Chicago

**250%**

increase in  
email conversion for  
Feeding America

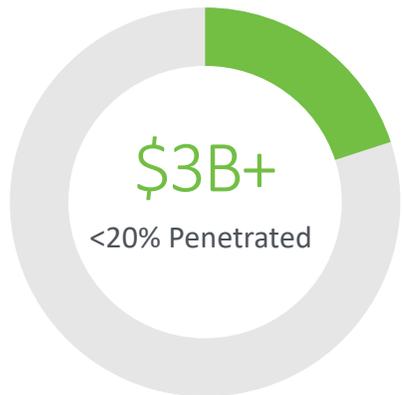
Sourced from Blackbaud [customer stories](#)

# Substantial TAM with significant penetration opportunity

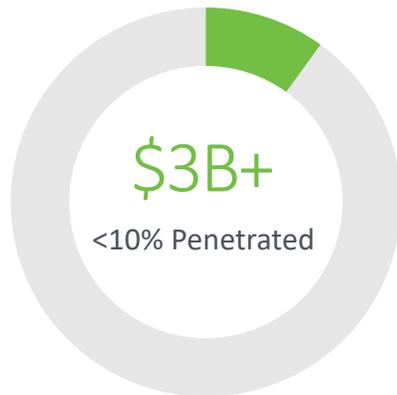
**\$10B+**  
2020 TAM

**<10%**  
Revenue Penetration

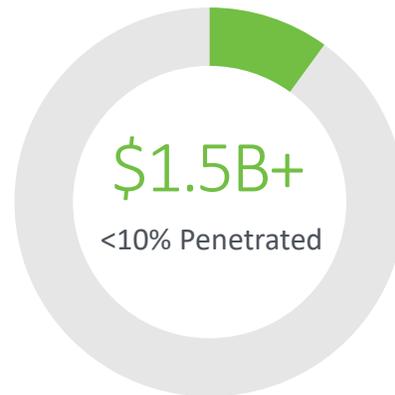
Fundraising, Relationship Management and Engagement



Payment Services



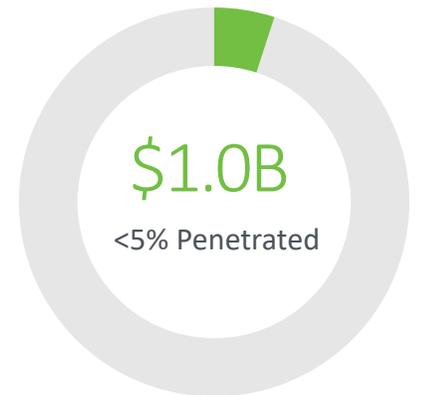
Financial Management, Grant and Award Management



Organizational and Program Management



Social Responsibility



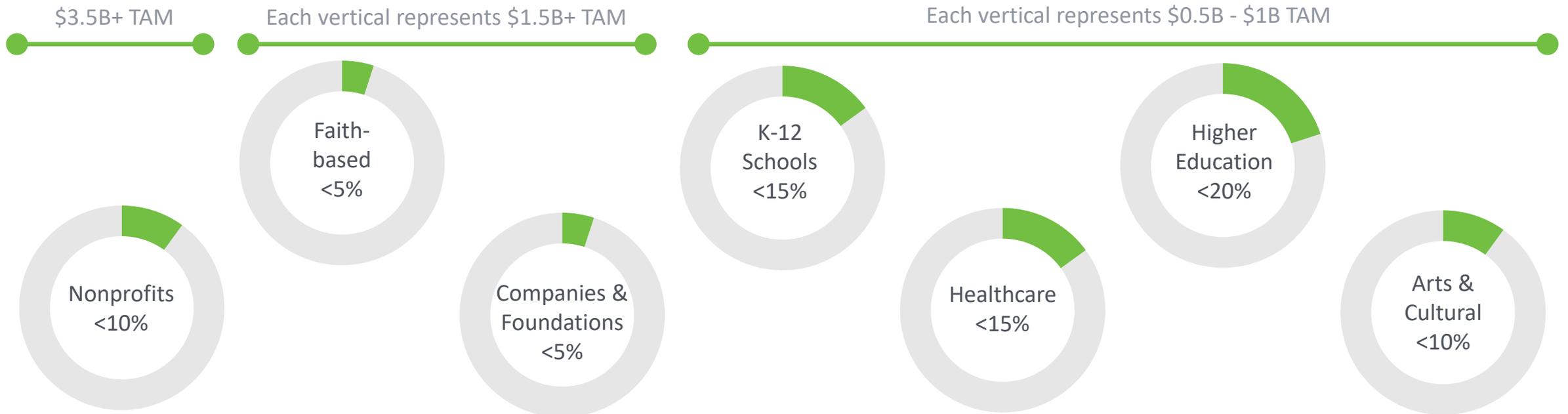
Sources: FY 2019 Blackbaud Revenue. TAM based on IRS data, Canadian Revenue Agency, Private School Universe, IPEDS, Dun & Bradstreet, HIMSS, Guidestar, Blackbaud internal data

# Opportunity for growth extends across vertical markets

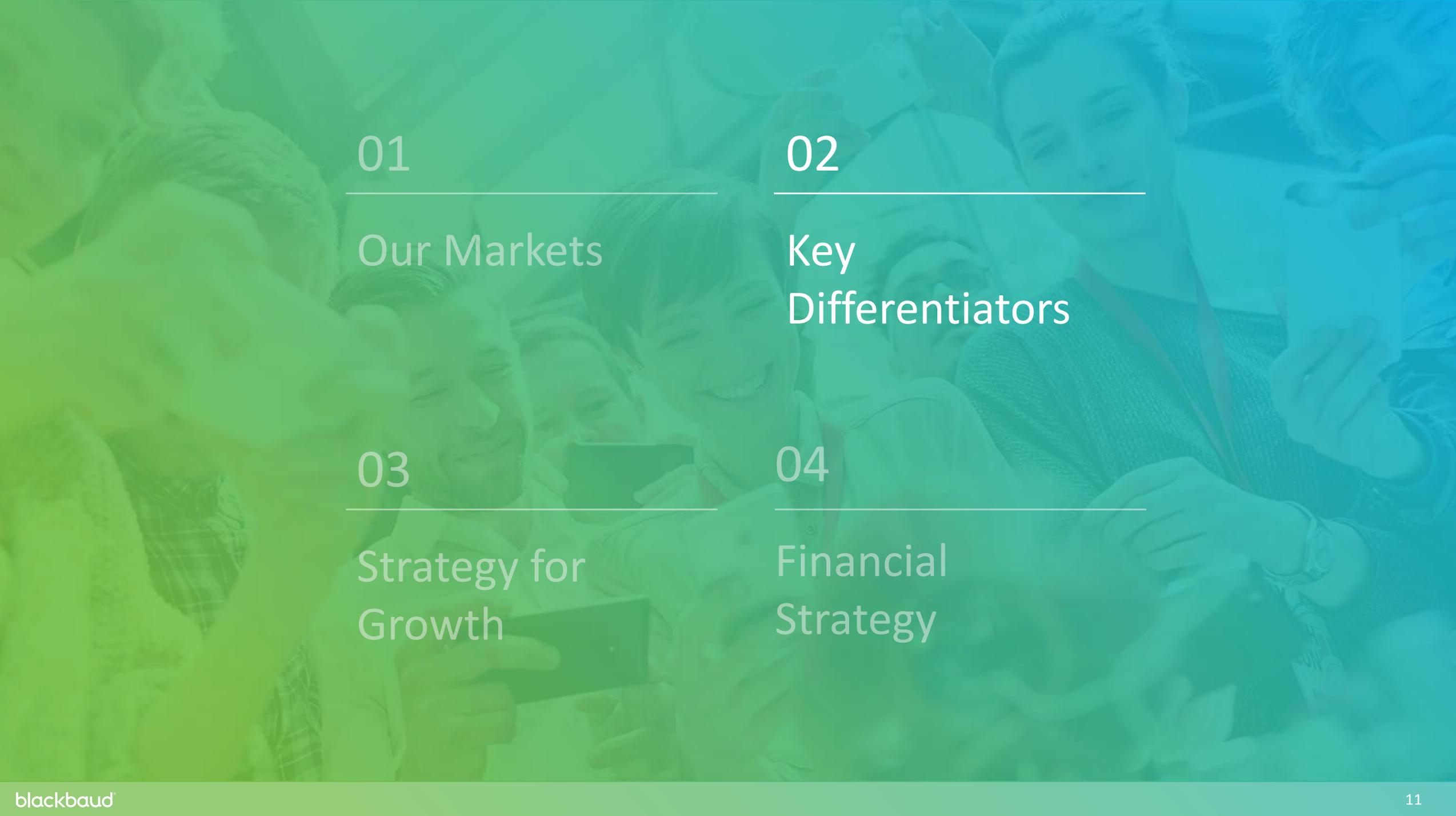
**\$10B+**  
2020 TAM

**<10%**  
Revenue Penetration

## Revenue Penetration by Vertical



Sources: FY 2019 Blackbaud Revenue. TAM based on IRS data, Canadian Revenue Agency, Private School Universe, IPEDS, Dun & Bradstreet, HIMSS, Guidestar, Blackbaud internal data



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Our Markets

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Key  
Differentiators

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Strategy for  
Growth

04

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Financial  
Strategy

# The market's most comprehensive solutions for social good

Blackbaud is the **largest cloud software vendor** focused exclusively on the social good community<sup>1</sup>

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

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

Large customer base with **92% unit retention**

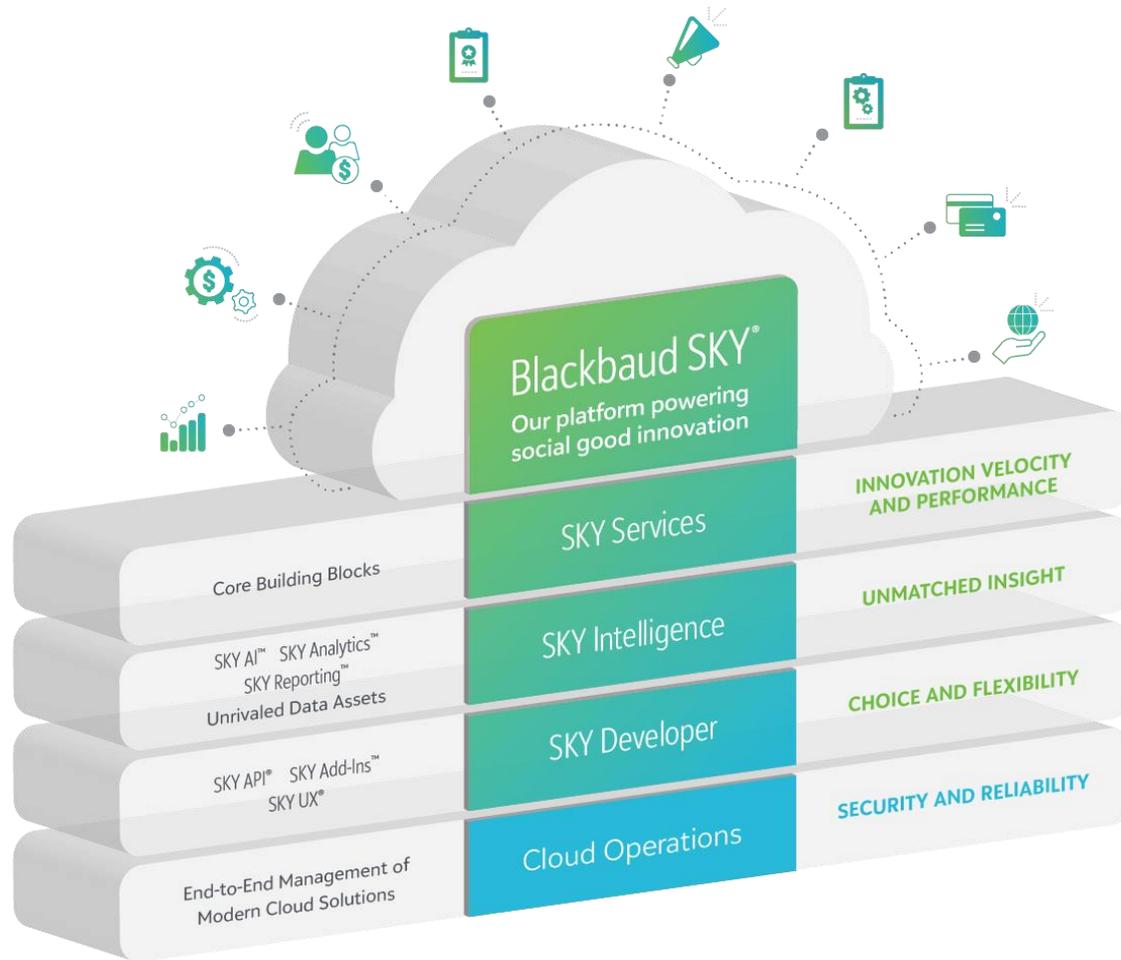
**Strong balance sheet and cash flows** to support strategic acquisitions and internal product development



## OUR COMPETITORS


<sup>1</sup> IDC #29th largest cloud software provider worldwide

# Built on industry leading cloud technology



## Power of the Platform

Common shared components

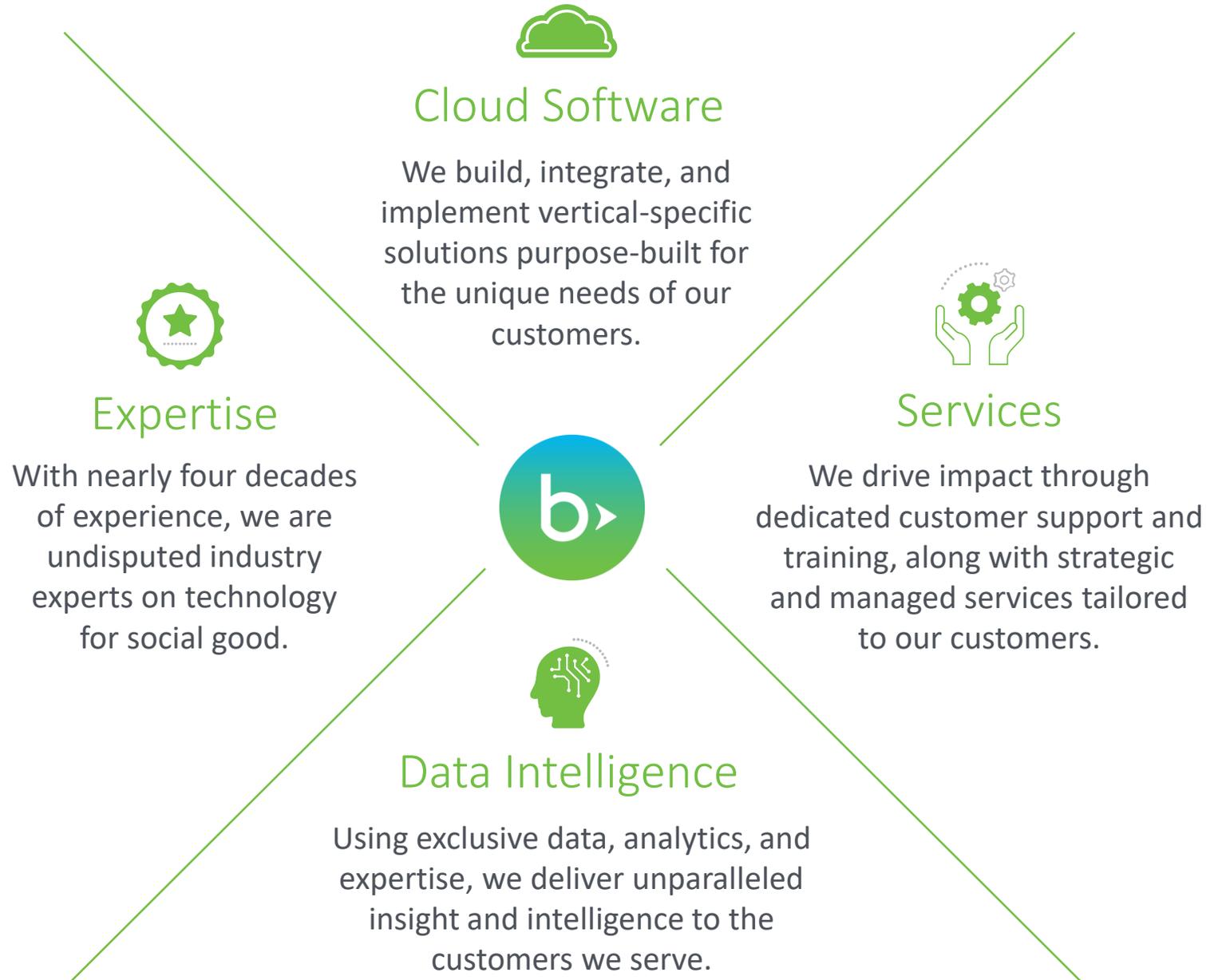
Continuous innovation and feature deployment

Accelerated time to market

Integrated capabilities

Enables a network effect

We make it simple with one accountable partner



# A culture built on unmatched commitment to social good



We work as one.



We bring heart.



We invent possibilities.



We expect the best.



We give back.

4 out of 5

employees volunteer regularly

1 out of 4

employees serve on nonprofit boards

600+

engineers; largest R&D investment in the sector

A

MSCI ESG Rating

1 out of 3

employees belong to an employee-led affinity group

100,000

hours volunteered annually by employees

500+

employees worked previously for social good organizations

9 out of 10

employees say Blackbaud's mission was important to their decision to join the company

2

ISS Governance Quality Score

Over 2x

employees participating in matching gift program compared to U.S. national median

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Financial  
Strategy

# Executing a clear four-point growth strategy

01

## Delight customers with innovative cloud solutions

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

02

## Drive sales effectiveness

Improving sales productivity to drive recurring revenue growth

03

## Expand total addressable market

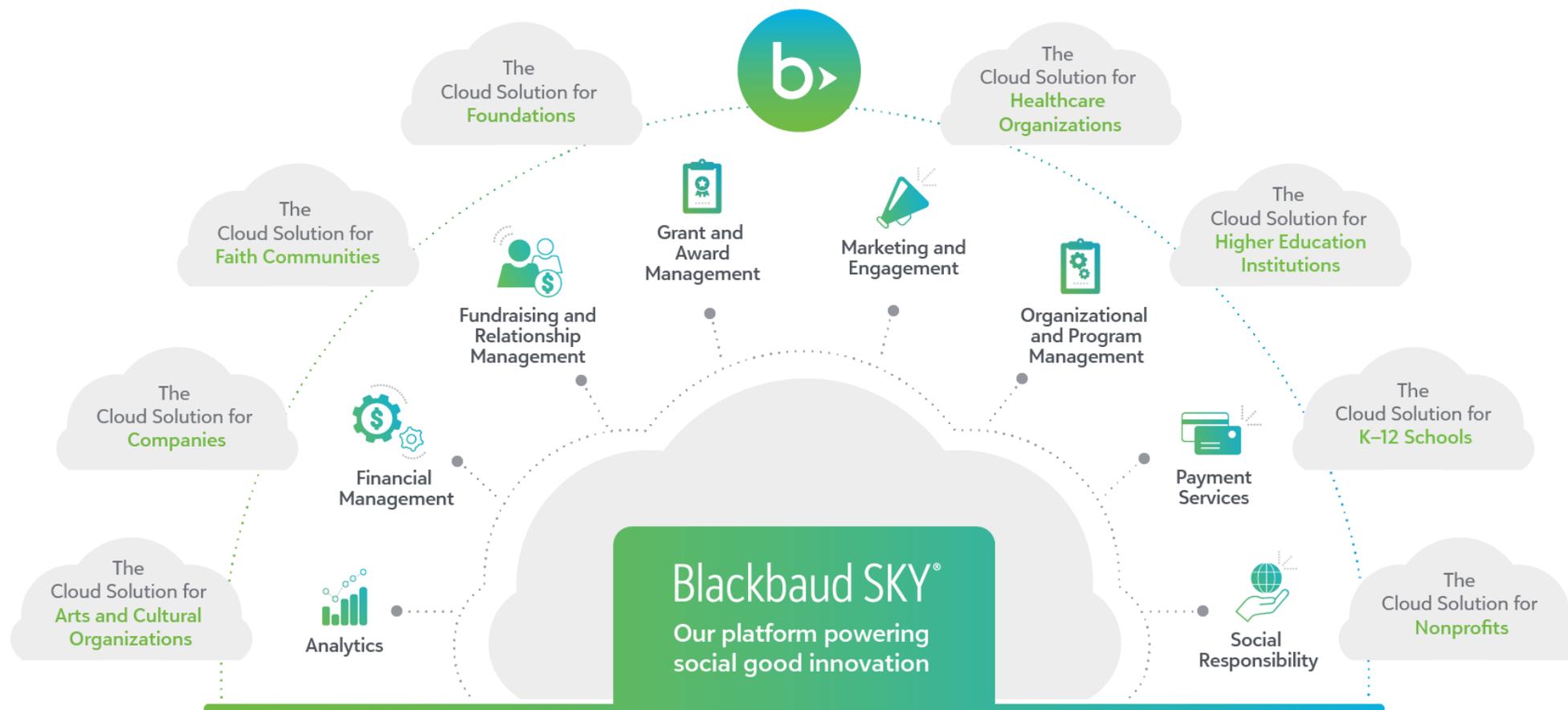
Acquiring, building, and partnering into near adjacent markets

04

## Improve operating efficiency

Building a world-class operating model

# Delight customers with innovative cloud solutions



# Drive sales effectiveness



## Scalable Model

Global sales operations  
Customer success organization  
Best-in-breed back office systems



## Prescriptive Selling

Vertical go-to-market focus  
Integrated clouds  
Bifurcate hunters vs. farmers  
Customer advisory councils



## Go-to-Market Efficiency

Quality lead generation  
Optimize market coverage  
Productivity focus  
Expand partner channel

# Expand total addressable market

Acquiring, building, and partnering into near adjacent markets

**\$4B+** in TAM added through acquisitions and new solution builds



2014



2015



2016



2017

Blackbaud Education Management Portfolio

Blackbaud Church Management™



2018



2019

✓ Expand TAM into near adjacencies

✓ Accelerate shift to the cloud

✓ Accelerate revenue growth

✓ Accretive to operating margins

Note: Criteria calls for investments to be accretive to operating margins over time.

# Efficient, scalable operating model

## Vertical Go-to-market

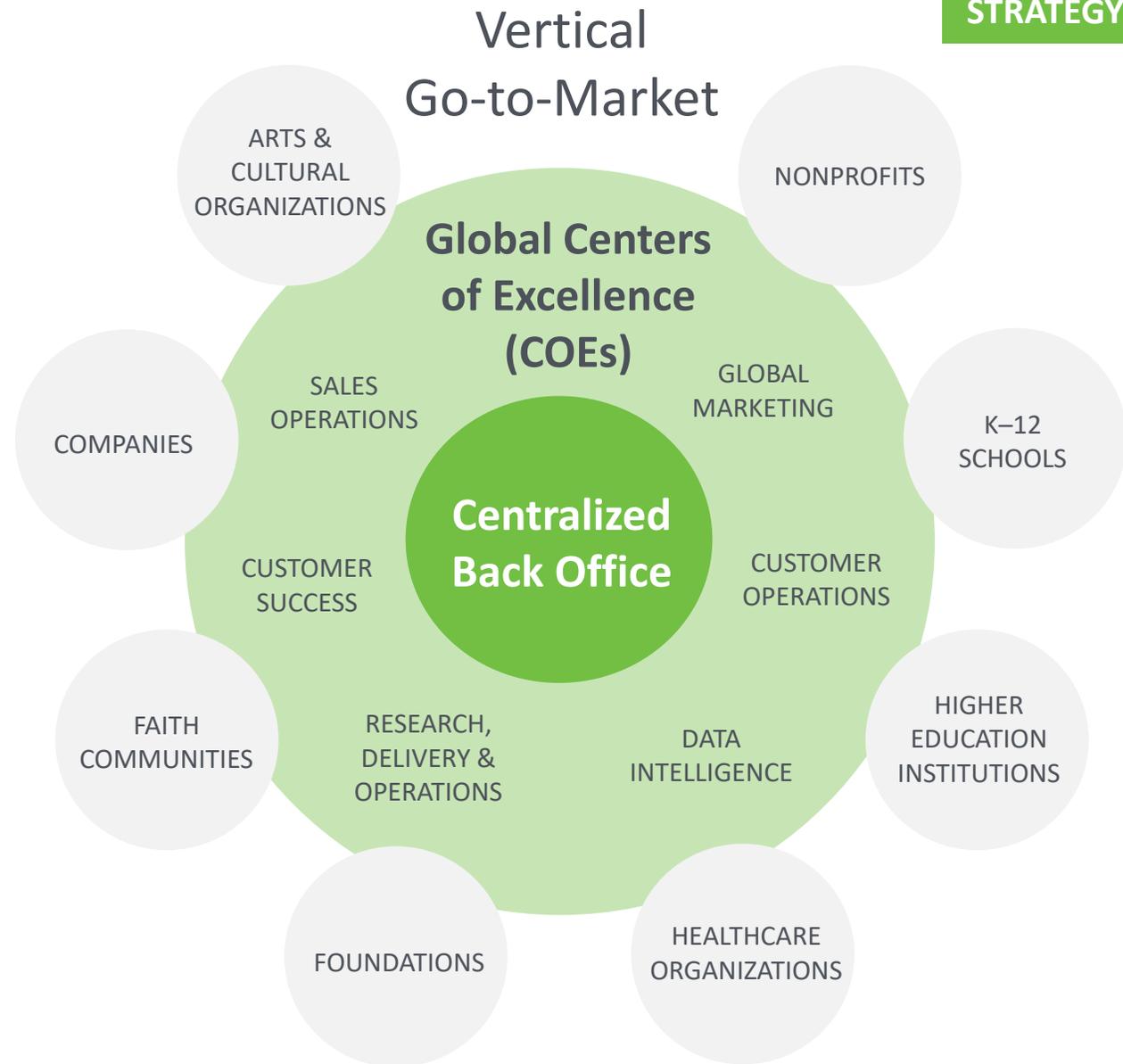
focus on customer needs and solution selling

## Centers of Excellence

support functions with common systems, metrics, and measurement

## Productivity Improvement

continuous improvement across all functions of the organization



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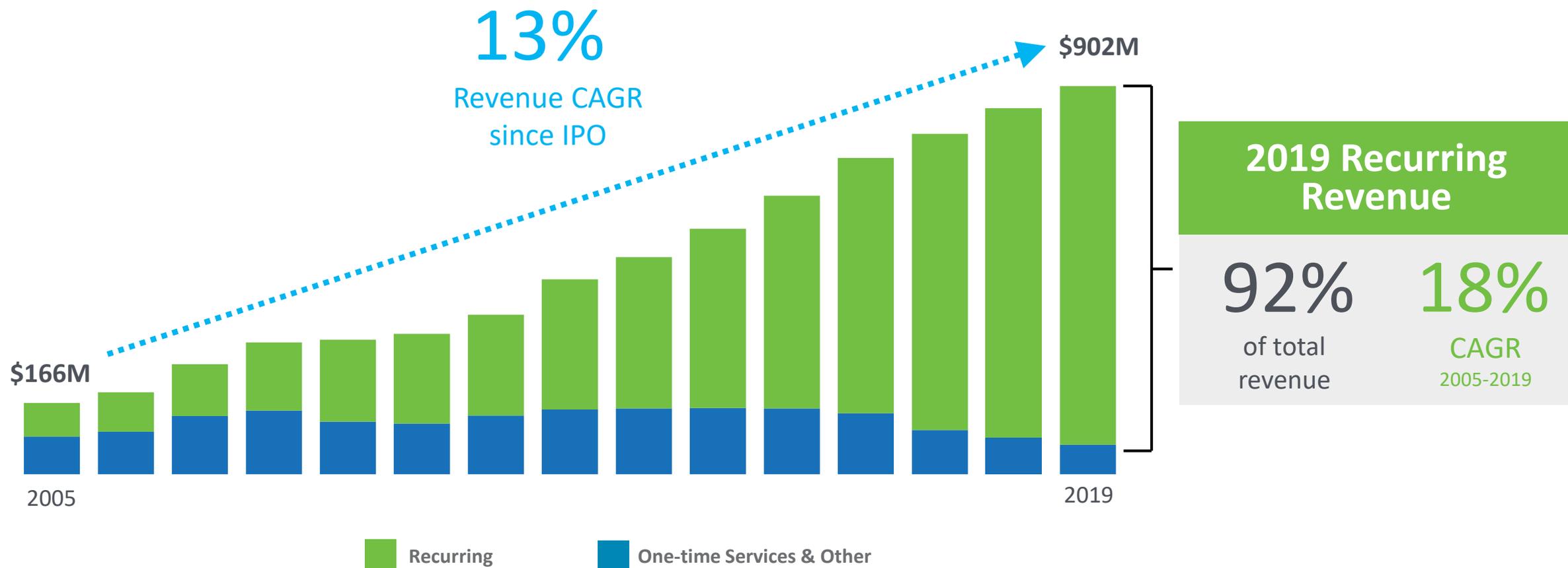
Strategy for  
Growth

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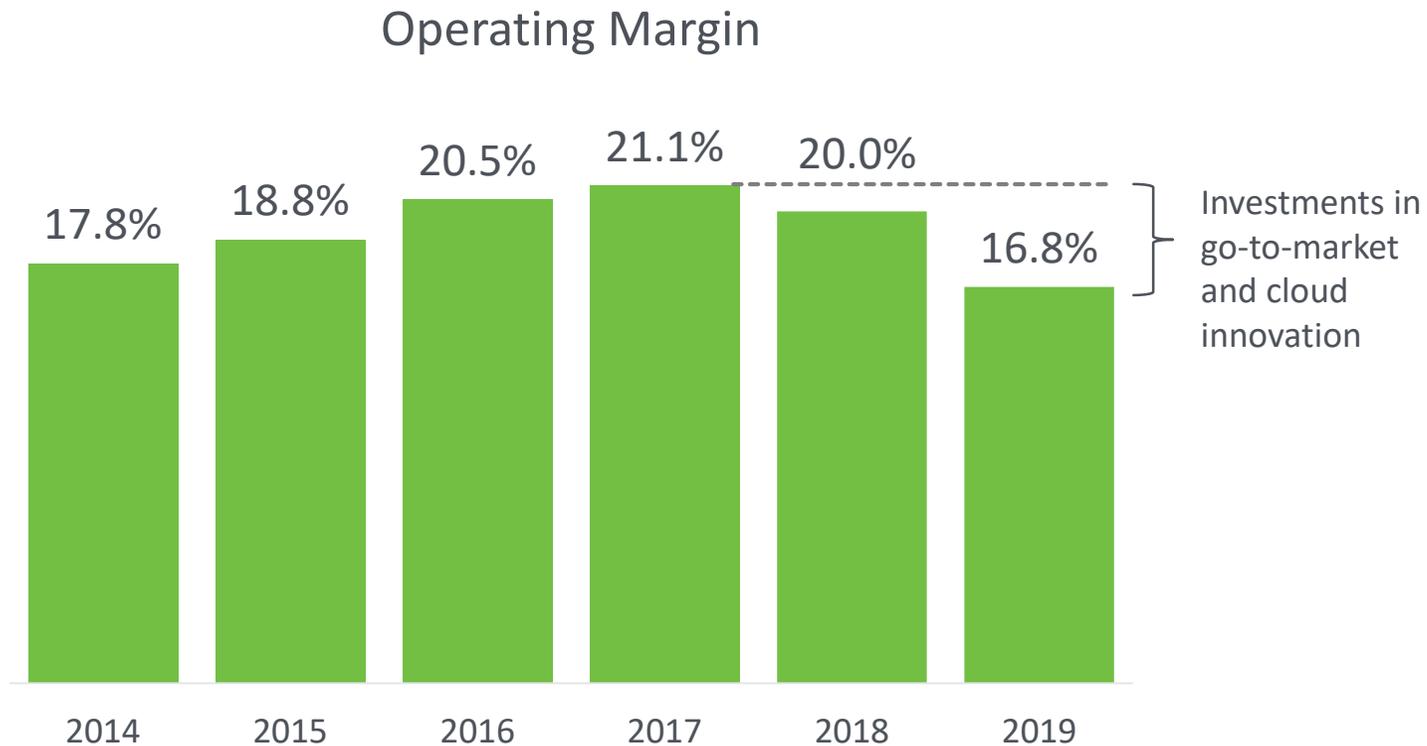
Financial  
Strategy

# Business model drives recurring revenue



Non-GAAP Revenue. 2016, 2017, 2018 and 2019 reflect adoption of ASC 606. Blackbaud's initial public offering was mid-year 2004; comparisons began with next full year of revenue

# Balancing growth and profitability to support future growth



## Operating Margin

Near term expansion depends on level of investments in:

### Go-to-Market Model

Focusing on lead generation, market coverage and sales effectiveness

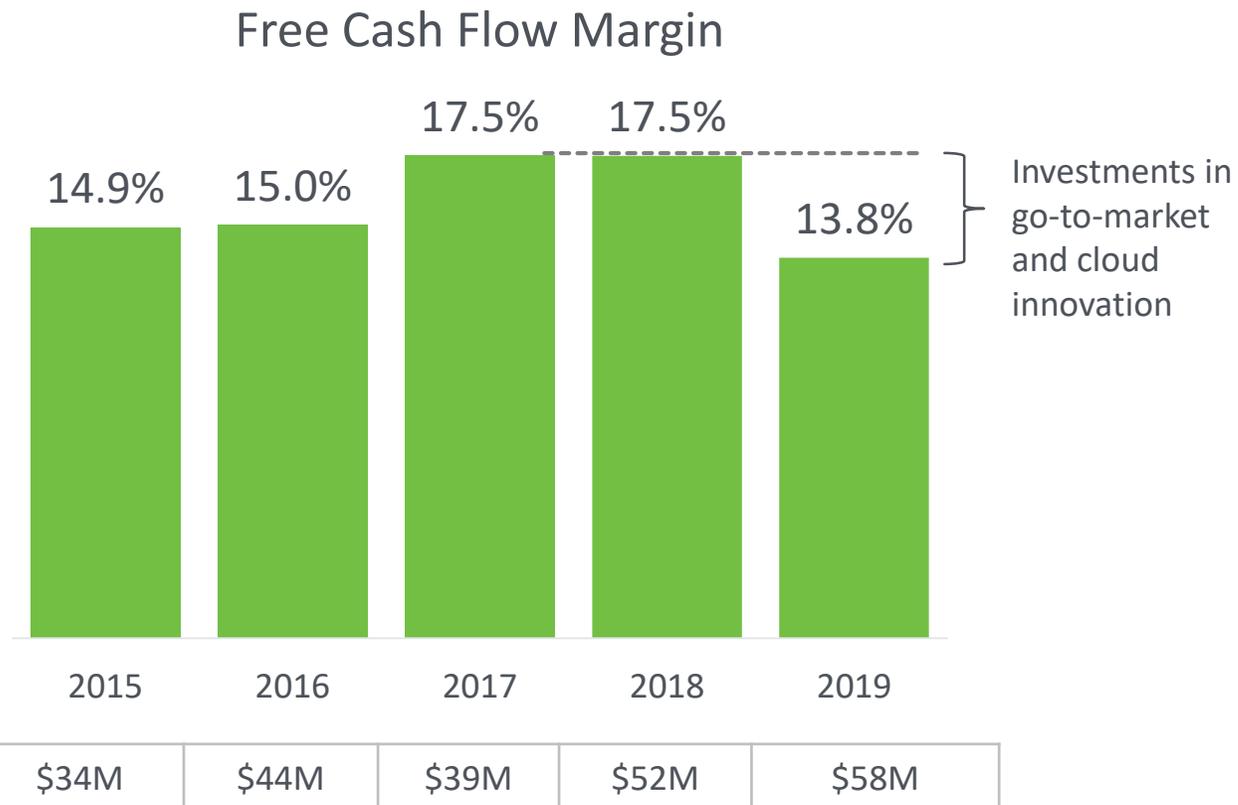
### Engineering and Innovation

Invest in innovative cloud solutions

### Migration to Public Cloud Infrastructure

Enhanced scalability and security

# Generating healthy free cash flow margins inclusive of investments



## Free Cash Flow Highlights

Strong free cash flow margins inclusive of current investments:

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

Estimating a modest increase in cash taxes in 2020

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

# Maintaining a disciplined capital strategy

## GROWTH AND OPERATING INITIATIVES

- Capital investments consistent with solution roadmap and strategy
- Invest in operational efficiencies
- Strategic acquisitions

## MAINTAIN STRONG BALANCE SHEET

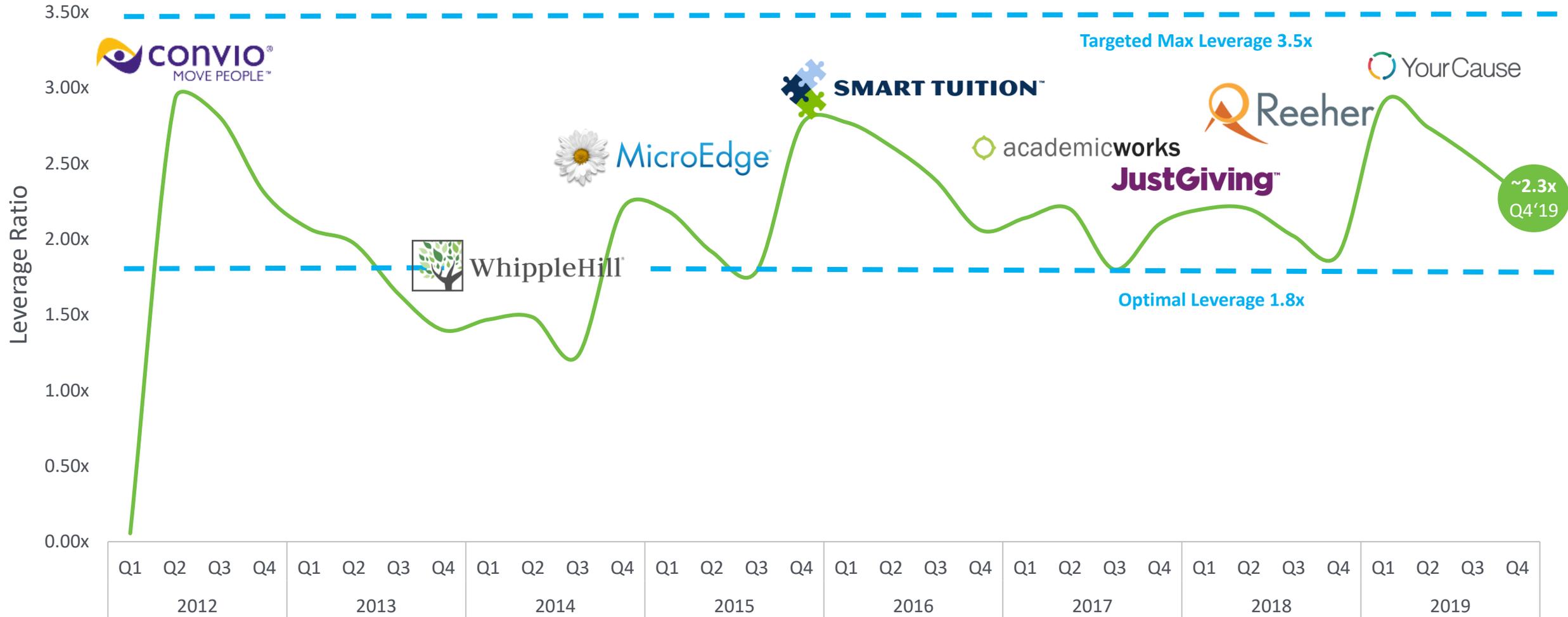
- Cash balances
- Debt maintenance
- Debt to EBITDA < 3.5X

## RETURN OF CAPITAL TO SHAREHOLDERS\*

- Annual dividend of \$0.48 per share
- Share repurchase—\$50M authorized and available

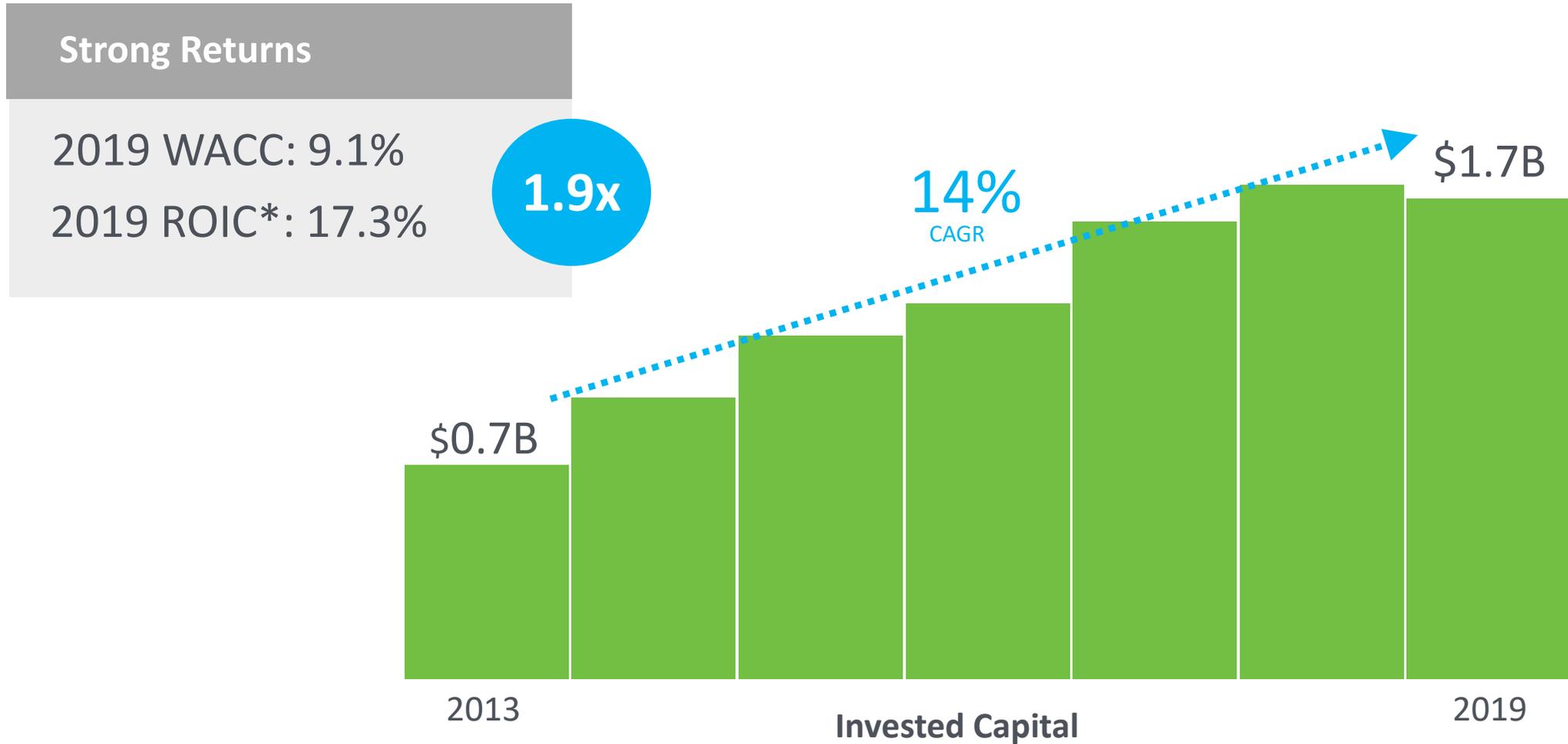
\*Dividend payments are not guaranteed and our Board of Directors may decide, in its sole discretion, at any time and for any reason, not to declare or pay further dividends and/or repurchase our common stock.

# Proven history of deleveraging



Note: Current covenant for leverage ratio is less than or equal to 3.5x. Calculation of debt over TTM EBITDA is based on credit agreement in place at the end of the respective reporting quarter.

# Strong returns on a substantially larger investment base



\*See appendix for detailed ROIC calculation; Decrease in invested capital from 2018 to 2019 driven by write-offs on the book value of fully amortized assets and facilities-related fixed assets as a part of our facilities optimization strategy

# Anticipating solid financial performance in 2020

Guidance issued February 2020

		Mid-Point
<b>Total Revenue</b>	\$930M – \$955M	<b>\$943M</b>
<b>Operating Margin</b>	16.0%–16.5%	<b>16.2%</b>
<b>Diluted EPS</b>	\$2.20–\$2.35	<b>\$2.28</b>
<b>Free Cash Flow</b>	\$100M – \$115M	<b>\$108M</b>

Non-GAAP. Guidance issued 2/11/2020. Mid-point presented for illustration only, not as a prediction of 2020 performance.

# Improving shareholder value



Industry leading cloud software company with an unmatched commitment to the social good sector



Rapid innovation and growing M&A capacity expanding a large, stable, and growing addressable market



Executing a disciplined strategy focused on accelerating financial performance

# Appendix

# Return on Invested Capital (ROIC) Calculation

(dollars in millions)

	<u>2019</u>
Total Assets	\$1,993
Less: Restricted cash and customer funds receivable	(546)
Less: Non-interest bearing current liabilities	(435)
Add: Accumulated depreciation	104
Add: Accumulated amortization of software development	38
Add: Accumulated Amortization of ROU Assets <sup>1</sup>	20
Add: Accumulated amortization of intangibles	239
Less: Purchase price of 2019 acquisition <sup>2</sup>	0
Add: Research & development (excluding stock-based compensation) 3Y Expense <sup>3</sup>	267
<b>Invested Capital</b>	<u><b>\$1,679</b></u>
Income from Operations	27
Add: Rent/Lease expense	28
Add: Depreciation	15
Add: Amortization of software development	21
Add: Amortization of intangibles	50
EBITDA <sup>4</sup>	<u>142</u>
Add: Stock-based compensation	59
Add: R&D Exp (excl SBC)	95
Adjusted EBITDA <sup>4</sup>	<u>295</u>
Less: Implied taxes (assumes 20% tax rate)	(5)
Adjusted NOPAT <sup>4</sup>	<u>\$290</u>
<b>Return on invested capital (ROIC)</b>	<u><b>17.3%</b></u>

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

(2) 2019 acquisition excluded as it closed on first business day of the year

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

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

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

(dollars in thousands)	Years ended		Three months ended				Year ended	Three months ended			
	12/31/2019	12/31/2018	12/31/2019	09/30/2019	06/30/2019	03/31/2019	12/31/2018	12/31/2018	09/30/2018	06/30/2018	03/31/2018
GAAP revenue	\$ 900,423	\$ 848,606	\$ 237,839	\$ 221,120	\$ 225,634	\$ 215,830	\$ 848,606	\$ 221,218	\$ 209,532	\$ 213,672	\$ 204,184
<b>GAAP revenue growth</b>	<b>6.1%</b>		<b>7.5%</b>	<b>5.5%</b>	<b>5.6%</b>	<b>5.7%</b>					
Add: Non-GAAP acquisition-related revenue <sup>(1)</sup>	(20,097)	5,627	(5,903)	(5,250)	(4,558)	(4,386)	5,627	571	571	1,771	2,714
Non-GAAP organic revenue <sup>(2)</sup>	\$ 880,326	\$ 854,233	\$ 231,936	\$ 215,870	\$ 221,076	\$ 211,444	\$ 854,233	\$ 221,789	\$ 210,103	\$ 215,443	\$ 206,898
<b>Non-GAAP organic revenue growth</b>	<b>3.1%</b>		<b>4.6%</b>	<b>2.7%</b>	<b>2.6%</b>	<b>2.2%</b>					
Non-GAAP organic revenue <sup>(2)</sup>	\$ 880,326	\$ 854,233	\$ 231,936	\$ 215,870	\$ 221,076	\$ 211,444	854,233	\$ 221,789	\$ 210,103	\$ 215,443	\$ 206,898
Foreign currency impact on Non-GAAP organic revenue <sup>(3)</sup>	6,020	—	607	1,457	2,177	1,779	—	—	—	—	—
Non-GAAP organic revenue on constant currency basis <sup>(3)</sup>	\$ 886,346	\$ 854,233	\$ 232,543	\$ 217,327	\$ 223,253	\$ 213,223	\$ 854,233	\$ 221,789	\$ 210,103	\$ 215,443	\$ 206,898
<b>Non-GAAP organic revenue growth on constant currency basis</b>	<b>3.8%</b>		<b>4.8%</b>	<b>3.4%</b>	<b>3.6%</b>	<b>3.1%</b>					
GAAP recurring revenue	831,609	762,181	219,820	205,227	208,468	198,094	762,181	199,930	188,656	192,749	180,846
<b>GAAP recurring revenue growth</b>	<b>9.1%</b>		<b>9.9%</b>	<b>8.8%</b>	<b>8.2%</b>	<b>9.5%</b>					
Add: Non-GAAP acquisition-related recurring revenue <sup>(1)</sup>	(19,804)	5,458	(5,841)	(5,490)	(4,298)	(4,175)	5,458	571	571	1,717	2,599
Non-GAAP organic recurring revenue	\$ 811,805	\$ 767,639	\$ 213,979	\$ 199,737	\$ 204,170	\$ 193,919	\$ 767,639	\$ 200,501	\$ 189,227	\$ 194,466	\$ 183,445
<b>Non-GAAP organic recurring revenue growth</b>	<b>5.8%</b>		<b>6.7%</b>	<b>5.6%</b>	<b>5.0%</b>	<b>5.7%</b>					

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

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

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

Three Months Ended December 31, 2019										
(in thousands, except per share amounts)	GAAP	Acquisition-related Deferred Revenue Write-down	Stock-based Compensation Expense	Amortization of Intangibles from Business Combinations	Employee Severance	Acquisition-related Integration Costs	Acquisition-related Expenses	Restructuring	Non-GAAP Adjustments Subtotal	Non-GAAP
<b>Revenue</b>										
Recurring	\$ 219,820	\$ 241	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	241	\$ 220,061
One-time services and other	18,019	—	—	—	—	—	—	—	—	18,019
<b>Total revenue</b>	<b>237,839</b>	<b>241</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>241</b>	<b>238,080</b>
<b>Cost of revenue</b>										
Cost of recurring	98,975	—	(464)	(10,255)	(58)	—	—	—	(10,777)	88,198
Cost of one-time services and other	17,562	—	(353)	(544)	(29)	—	—	—	(926)	16,636
<b>Total cost of revenue</b>	<b>116,537</b>	<b>—</b>	<b>(817)</b>	<b>(10,799)</b>	<b>(87)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(11,703)</b>	<b>104,834</b>
<b>Gross profit</b>	<b>121,302</b>	<b>241</b>	<b>817</b>	<b>10,799</b>	<b>87</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>11,944</b>	<b>133,246</b>
<i>Recurring gross margin</i>	<i>55.0%</i>								<i>4.9%</i>	<i>59.9%</i>
<i>One-time services and other gross margin</i>	<i>2.5%</i>								<i>5.2%</i>	<i>7.7%</i>
<b>Total gross margin</b>	<b>51.0%</b>								<b>5.0%</b>	<b>56.0%</b>
<b>Operating expenses</b>										
Sales, marketing and customer success	58,189	—	(2,639)	—	(561)	—	—	—	(3,200)	54,989
Research and development	25,860	—	(2,841)	—	(95)	—	—	—	(2,936)	22,924
General and administrative	28,857	—	(8,715)	—	(22)	(189)	(132)	—	(9,058)	19,799
Amortization	2,085	—	—	(2,085)	—	—	—	—	(2,085)	—
Restructuring	2,725	—	—	—	—	—	—	(2,725)	(2,725)	—
<b>Total operating expenses</b>	<b>117,716</b>	<b>—</b>	<b>(14,195)</b>	<b>(2,085)</b>	<b>(678)</b>	<b>(189)</b>	<b>(132)</b>	<b>(2,725)</b>	<b>(20,004)</b>	<b>97,712</b>
<b>Income from operations</b>	<b>3,586</b>	<b>241</b>	<b>15,012</b>	<b>12,884</b>	<b>765</b>	<b>189</b>	<b>132</b>	<b>2,725</b>	<b>31,948</b>	<b>35,534</b>
<b>Total operating margin</b>	<b>1.5%</b>								<b>13.4%</b>	<b>14.9%</b>
<b>Net Income</b>	<b>\$ 1,324</b>									<b>\$ 24,549</b>
Shares used in computing diluted earnings per share	48,573									48,573
<b>Diluted earnings per share</b>	<b>\$ 0.03</b>									<b>\$ 0.51</b>

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

Note 2: We apply a non-GAAP effective tax rate of 20.0% when calculating non-GAAP net income and non-GAAP diluted earnings per share

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

Year Ended December 31, 2019										
(in thousands, except per share amounts)	GAAP	Acquisition-related Deferred Revenue Write-down	Stock-based Compensation Expense	Amortization of Intangibles from Business Combinations	Employee Severance	Acquisition-related Integration Costs	Acquisition-related Expenses	Restructuring	Non-GAAP Adjustments Subtotal	Non-GAAP
<b>Revenue</b>										
Recurring	\$ 831,609	\$ 1,932	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	1,932	\$ 833,541
One-time services and other	68,814	—	—	—	—	—	—	—	—	68,814
<b>Total revenue</b>	<b>900,423</b>	<b>1,932</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,932</b>	<b>902,355</b>
<b>Cost of revenue</b>										
Cost of recurring	357,988	—	(1,879)	(42,565)	(601)	—	—	—	(45,045)	312,943
Cost of one-time services and other	60,436	—	(1,487)	(2,204)	(620)	—	—	—	(4,311)	56,125
<b>Total cost of revenue</b>	<b>418,424</b>	<b>—</b>	<b>(3,366)</b>	<b>(44,769)</b>	<b>(1,221)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(49,356)</b>	<b>369,068</b>
<b>Gross profit</b>	<b>481,999</b>	<b>1,932</b>	<b>3,366</b>	<b>44,769</b>	<b>1,221</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>51,288</b>	<b>533,287</b>
<i>Recurring gross margin</i>	<i>57.0%</i>								<i>5.5%</i>	<i>62.5%</i>
<i>One-time services and other gross margin</i>	<i>12.2%</i>								<i>6.2%</i>	<i>18.4%</i>
<b>Total Gross Margin</b>	<b>53.5%</b>								<b>5.6%</b>	<b>59.1%</b>
<b>Operating expenses</b>										
Sales, marketing and customer success	224,152	—	(11,203)	—	(1,451)	—	—	—	(12,654)	211,498
Research and development	106,164	—	(11,115)	—	(1,374)	—	—	—	(12,489)	93,675
General and administrative	113,414	—	(32,949)	—	(379)	(2,395)	(1,162)	—	(36,885)	76,529
Amortization	5,316	—	—	(5,316)	—	—	—	—	(5,316)	—
Restructuring	5,808	—	—	—	—	—	—	(5,808)	(5,808)	—
<b>Total operating expenses</b>	<b>454,854</b>	<b>—</b>	<b>(55,267)</b>	<b>(5,316)</b>	<b>(3,204)</b>	<b>(2,395)</b>	<b>(1,162)</b>	<b>(5,808)</b>	<b>(73,152)</b>	<b>381,702</b>
<b>Income from operations</b>	<b>27,145</b>	<b>1,932</b>	<b>58,633</b>	<b>50,085</b>	<b>4,425</b>	<b>2,395</b>	<b>1,162</b>	<b>5,808</b>	<b>124,440</b>	<b>151,585</b>
<b>Total Operating Margin</b>	<b>3.0%</b>								<b>13.8%</b>	<b>16.8%</b>
<b>Net Income</b>	<b>\$ 11,908</b>									<b>\$ 108,020</b>
Shares used in computing diluted earnings per share	48,312									48,312
<b>Diluted earnings per share</b>	<b>\$ 0.25</b>									<b>\$ 2.24</b>

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

Three Months Ended December 31, 2018										
(in thousands, except per share amounts)	GAAP	Acquisition-related Deferred Revenue Write-down	Stock-based Compensation Expense	Amortization of Intangibles from Business Combinations	Employee Severance	Acquisition-related Integration Costs	Acquisition-related Expenses	Restructuring	Non-GAAP Adjustments Subtotal	Non-GAAP
<b>Revenue</b>										
Recurring	\$ 199,930	\$ 571	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 571	\$ 200,501
One-time services and other	21,288	—	—	—	—	—	—	—	—	21,288
<b>Total revenue</b>	<b>221,218</b>	<b>571</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>571</b>	<b>221,789</b>
<b>Cost of revenue</b>										
Cost of recurring	83,517	—	(678)	(9,990)	(32)	—	—	—	(10,700)	72,817
Cost of one-time services and other	19,779	—	(554)	(555)	(20)	—	—	—	(1,129)	18,650
<b>Total cost of revenue</b>	<b>103,296</b>	<b>—</b>	<b>(1,232)</b>	<b>(10,545)</b>	<b>(52)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(11,829)</b>	<b>91,467</b>
<b>Gross profit</b>	<b>117,922</b>	<b>571</b>	<b>1,232</b>	<b>10,545</b>	<b>52</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>12,400</b>	<b>130,322</b>
<i>Recurring gross margin</i>	58.2%								5.5%	63.7%
<i>One-time services and other gross margin</i>	7.1%								5.3%	12.4%
<b>Total Gross Margin</b>	<b>53.3%</b>								<b>5.5%</b>	<b>58.8%</b>
<b>Operating expenses</b>										
Sales, marketing and customer success	49,801	—	(2,419)	—	(408)	(5)	—	—	(2,832)	46,969
Research and development	23,338	—	(2,311)	—	(133)	—	—	—	(2,444)	20,894
General and administrative	27,962	—	(6,629)	—	60	(295)	(972)	—	(7,836)	20,126
Amortization	1,137	—	—	(1,137)	—	—	—	—	(1,137)	—
Restructuring	1,005	—	—	—	—	—	—	(1,005)	(1,005)	—
<b>Total operating expenses</b>	<b>103,243</b>	<b>—</b>	<b>(11,359)</b>	<b>(1,137)</b>	<b>(481)</b>	<b>(300)</b>	<b>(972)</b>	<b>(1,005)</b>	<b>(15,254)</b>	<b>87,989</b>
<b>Income from operations</b>	<b>14,679</b>	<b>571</b>	<b>12,591</b>	<b>11,682</b>	<b>533</b>	<b>300</b>	<b>972</b>	<b>1,005</b>	<b>27,654</b>	<b>42,333</b>
<b>Total Operating Margin</b>	<b>6.6%</b>								<b>12.5%</b>	<b>19.1%</b>
<b>Net Income</b>	<b>\$ 9,334</b>									<b>\$ 31,311</b>
Shares used in computing diluted earnings per share	48,026									48,026
<b>Diluted earnings per share</b>	<b>\$ 0.19</b>									<b>\$ 0.65</b>

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

Year Ended December 31, 2018											
(in thousands, except per share amounts)	GAAP	Acquisition-related Deferred Revenue Write-down	Stock-based Compensation Expense	Amortization of Intangibles from Business Combinations	Employee Severance	Acquisition-related Integration Costs	Acquisition-related Expenses	Restructuring	Non-GAAP Adjustments Subtotal	Non-GAAP	
<b>Revenue</b>											
Recurring	\$ 762,181	\$ 2,319	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	2,319	\$ 764,500	
One-time services and other	86,425	90	—	—	—	—	—	—	90	86,515	
<b>Total revenue</b>	<b>848,606</b>	<b>2,409</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,409</b>	<b>851,015</b>	
<b>Cost of revenue</b>											
Cost of recurring	305,481	—	(2,464)	(39,877)	(504)	(4)	—	—	(42,849)	262,632	
Cost of one-time services and other	76,261	—	(2,778)	(2,356)	(414)	(21)	—	—	(5,569)	70,692	
<b>Total cost of revenue</b>	<b>381,742</b>	<b>—</b>	<b>(5,242)</b>	<b>(42,233)</b>	<b>(918)</b>	<b>(25)</b>	<b>—</b>	<b>—</b>	<b>(48,418)</b>	<b>333,324</b>	
<b>Gross profit</b>	<b>466,864</b>	<b>2,409</b>	<b>5,242</b>	<b>42,233</b>	<b>918</b>	<b>25</b>	<b>—</b>	<b>—</b>	<b>50,827</b>	<b>517,691</b>	
<i>Recurring gross margin</i>	<i>59.9%</i>								<i>5.7%</i>	<i>65.6%</i>	
<i>One-time services and other gross margin</i>	<i>11.8%</i>								<i>6.5%</i>	<i>18.3%</i>	
<b>Total Gross Margin</b>	<b>55.0%</b>								<b>5.8%</b>	<b>60.8%</b>	
<b>Operating expenses</b>											
Sales, marketing and customer success	192,848	—	(9,285)	—	(800)	(22)	(21)	—	(10,128)	182,720	
Research and development	98,811	—	(9,048)	—	(298)	(12)	(42)	—	(9,400)	89,411	
General and administrative	106,354	—	(24,699)	—	(230)	(3,624)	(2,783)	—	(31,336)	75,018	
Amortization	4,844	—	—	(4,844)	—	—	—	—	(4,844)	—	
Restructuring	4,590	—	—	—	—	—	—	(4,590)	(4,590)	—	
<b>Total operating expenses</b>	<b>407,447</b>	<b>—</b>	<b>(43,032)</b>	<b>(4,844)</b>	<b>(1,328)</b>	<b>(3,658)</b>	<b>(2,846)</b>	<b>(4,590)</b>	<b>(60,298)</b>	<b>347,149</b>	
<b>Income from operations</b>	<b>59,417</b>	<b>2,409</b>	<b>48,274</b>	<b>47,077</b>	<b>2,246</b>	<b>3,683</b>	<b>2,846</b>	<b>4,590</b>	<b>111,125</b>	<b>170,542</b>	
<b>Total Operating Margin</b>	<b>7.0%</b>								<b>13.0%</b>	<b>20.0%</b>	
<b>Net Income</b>	<b>\$ 44,841</b>									<b>\$ 124,598</b>	
Shares used in computing diluted earnings per share	48,045									48,045	
<b>Diluted earnings per share</b>	<b>\$ 0.93</b>									<b>\$ 2.59</b>	

# Historical Consolidated Balance Sheets (Unaudited)

(in thousands)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 25,013	\$ 29,194	\$ 25,352	\$ 30,866	\$ 25,187	\$ 32,654	\$ 29,084	\$ 31,810
Restricted cash due to customers	170,792	295,463	179,729	418,980	219,396	354,133	243,056	545,485
Accounts receivable, net of allowance	88,911	130,509	95,858	86,595	90,727	131,277	90,700	88,868
Customer funds receivable	6,373	5,528	5,501	1,753	5,474	5,349	7,784	524
Prepaid expenses and other current assets	68,474	75,816	68,842	59,788	73,099	76,728	75,321	67,852
<b>Total current assets</b>	<b>359,563</b>	<b>536,510</b>	<b>375,282</b>	<b>597,982</b>	<b>413,883</b>	<b>600,141</b>	<b>445,945</b>	<b>734,539</b>
Property and equipment, net	44,647	44,531	42,901	40,031	38,757	39,569	37,285	35,546
Operating lease right-of-use assets	—	—	—	—	110,485	107,165	110,840	104,400
Software development costs, net	57,062	62,023	68,289	75,099	81,231	87,880	94,055	101,302
Goodwill	537,433	547,312	547,338	545,213	634,845	632,269	630,644	634,088
Intangible assets, net	306,776	317,220	305,394	291,617	355,751	340,615	327,089	317,895
Other assets	62,453	64,089	65,512	65,363	67,461	66,319	64,154	65,193
<b>Total assets</b>	<b>\$ 1,367,934</b>	<b>\$ 1,571,685</b>	<b>\$ 1,404,716</b>	<b>\$ 1,615,305</b>	<b>\$ 1,702,413</b>	<b>\$ 1,873,958</b>	<b>\$ 1,710,012</b>	<b>\$ 1,992,963</b>
<b>Liabilities and stockholders' equity</b>								
Current liabilities:								
Trade accounts payable	\$ 23,619	\$ 31,141	\$ 25,453	\$ 34,538	\$ 32,640	\$ 35,749	\$ 34,169	\$ 47,676
Accrued expenses and other current liabilities	40,113	46,182	44,391	46,893	54,983	60,514	63,947	73,317
Due to customers	177,165	300,991	185,230	420,733	224,870	359,482	250,840	546,009
Debt, current portion	8,576	8,576	8,576	7,500	7,500	7,500	7,500	7,500
Deferred revenue, current portion	254,877	306,365	302,840	295,991	281,082	327,299	320,982	314,335
<b>Total current liabilities</b>	<b>504,350</b>	<b>693,255</b>	<b>566,490</b>	<b>805,655</b>	<b>601,075</b>	<b>790,544</b>	<b>677,438</b>	<b>988,837</b>
Debt, net of current portion	458,592	471,236	416,680	379,624	576,068	553,812	495,556	459,600
Deferred tax liability	48,080	48,055	47,405	44,291	48,050	48,658	47,237	44,594
Deferred revenue, net of current portion	5,075	3,442	3,429	2,564	4,290	2,324	2,014	1,802
Operating lease liabilities, net of current portion	—	—	—	—	102,880	100,116	100,133	95,624
Other liabilities	7,516	7,474	7,027	9,388	4,302	5,802	6,177	5,742
<b>Total liabilities</b>	<b>1,023,613</b>	<b>1,223,462</b>	<b>1,041,031</b>	<b>1,241,522</b>	<b>1,336,665</b>	<b>1,501,256</b>	<b>1,328,555</b>	<b>1,596,199</b>
Commitments and contingencies								
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock, \$0.001 par value	59	59	59	59	60	60	60	60
Additional paid-in capital	362,113	375,949	386,657	399,241	412,937	427,950	442,803	457,804
Treasury stock, at cost	(261,710)	(264,383)	(266,597)	(266,884)	(285,284)	(286,644)	(287,163)	(290,665)
Accumulated other comprehensive loss	7,041	(1,011)	602	(5,110)	(1,452)	(9,409)	(13,665)	(5,290)
Retained earnings	236,818	237,609	242,964	246,477	239,487	240,745	239,422	234,855
<b>Total stockholders' equity</b>	<b>344,321</b>	<b>348,223</b>	<b>363,685</b>	<b>373,783</b>	<b>365,748</b>	<b>372,702</b>	<b>381,457</b>	<b>396,764</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,367,934</b>	<b>\$ 1,571,685</b>	<b>\$ 1,404,716</b>	<b>\$ 1,615,305</b>	<b>\$ 1,702,413</b>	<b>\$ 1,873,958</b>	<b>\$ 1,710,012</b>	<b>\$ 1,992,963</b>

# Historical Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands, except share and per share amounts)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
<b>Revenue</b>										
Recurring	\$ 180,846	\$ 192,749	\$ 188,656	\$ 199,930	\$ 762,181	\$ 198,094	\$ 208,468	\$ 205,227	\$ 219,820	\$ 831,609
One-time services and other	23,338	20,923	20,876	21,288	86,425	17,736	17,166	15,893	18,019	68,814
<b>Total revenue</b>	<b>204,184</b>	<b>213,672</b>	<b>209,532</b>	<b>221,218</b>	<b>848,606</b>	<b>215,830</b>	<b>225,634</b>	<b>221,120</b>	<b>237,839</b>	<b>900,423</b>
<b>Cost of revenue</b>										
Cost of recurring	69,079	76,350	76,535	83,517	305,481	84,711	86,657	87,645	98,975	357,988
Cost of one-time services and other	18,958	18,822	18,702	19,779	76,261	14,572	14,150	14,152	17,562	60,436
<b>Total cost of revenue</b>	<b>88,037</b>	<b>95,172</b>	<b>95,237</b>	<b>103,296</b>	<b>381,742</b>	<b>99,283</b>	<b>100,807</b>	<b>101,797</b>	<b>116,537</b>	<b>418,424</b>
<b>Gross profit</b>	<b>116,147</b>	<b>118,500</b>	<b>114,295</b>	<b>117,922</b>	<b>466,864</b>	<b>116,547</b>	<b>124,827</b>	<b>119,323</b>	<b>121,302</b>	<b>481,999</b>
<b>Operating expenses</b>										
Sales, marketing and customer success	45,477	48,493	49,077	49,801	192,848	55,455	55,009	55,499	58,189	224,152
Research and development	25,958	25,297	24,218	23,338	98,811	28,461	25,902	25,941	25,860	106,164
General and administrative	25,051	28,447	24,894	27,962	106,354	27,117	28,543	28,897	28,857	113,414
Amortization	1,269	1,201	1,237	1,137	4,844	1,376	1,152	703	2,085	5,316
Restructuring	811	3,688	(914)	1,005	4,590	1,953	730	400	2,725	5,808
<b>Total operating expenses</b>	<b>98,566</b>	<b>107,126</b>	<b>98,512</b>	<b>103,243</b>	<b>407,447</b>	<b>114,362</b>	<b>111,336</b>	<b>111,440</b>	<b>117,716</b>	<b>454,854</b>
<b>Income from operations</b>	<b>17,581</b>	<b>11,374</b>	<b>15,783</b>	<b>14,679</b>	<b>59,417</b>	<b>2,185</b>	<b>13,491</b>	<b>7,883</b>	<b>3,586</b>	<b>27,145</b>
Interest expense	(3,517)	(4,303)	(4,140)	(3,938)	(15,898)	(5,323)	(5,799)	(5,111)	(4,385)	(20,618)
Other income (expense), net	160	346	(147)	744	1,103	182	2,181	2,158	(463)	4,058
<b>Income before (benefit) provision for income taxes</b>	<b>14,224</b>	<b>7,417</b>	<b>11,496</b>	<b>11,485</b>	<b>44,622</b>	<b>(2,956)</b>	<b>9,873</b>	<b>4,930</b>	<b>(1,262)</b>	<b>10,585</b>
Income tax (benefit) provision	(3,527)	825	332	2,151	(219)	(1,834)	2,733	364	(2,586)	(1,323)
<b>Net income (loss)</b>	<b>\$ 17,751</b>	<b>\$ 6,592</b>	<b>\$ 11,164</b>	<b>\$ 9,334</b>	<b>\$ 44,841</b>	<b>\$ (1,122)</b>	<b>\$ 7,140</b>	<b>\$ 4,566</b>	<b>\$ 1,324</b>	<b>\$ 11,908</b>
<b>Earnings (loss) per share</b>										
Basic	\$ 0.38	\$ 0.14	\$ 0.24	\$ 0.20	\$ 0.95	\$ (0.02)	\$ 0.15	\$ 0.10	\$ 0.03	\$ 0.25
Diluted	\$ 0.37	\$ 0.14	\$ 0.23	\$ 0.19	\$ 0.93	\$ (0.02)	\$ 0.15	\$ 0.09	\$ 0.03	\$ 0.25
<b>Common shares and equivalents outstanding</b>										
Basic weighted average shares	47,019,603	47,222,657	47,279,591	47,300,931	47,206,669	47,516,912	47,714,621	47,757,769	47,777,635	47,695,383
Diluted weighted average shares	48,009,395	48,053,094	48,160,146	48,025,617	48,045,084	47,516,912	48,160,684	48,464,529	48,572,575	48,312,271
<b>Other comprehensive income (loss)</b>										
Foreign currency translation adjustment	6,437	(8,817)	1,047	(3,885)	(5,218)	4,590	(6,018)	(3,893)	7,962	2,641
Unrealized gain (loss) on derivative instruments, net of tax	1,079	765	566	(1,827)	583	(932)	(1,939)	(363)	413	(2,821)
<b>Total other comprehensive income (loss)</b>	<b>7,516</b>	<b>(8,052)</b>	<b>1,613</b>	<b>(5,712)</b>	<b>(4,635)</b>	<b>3,658</b>	<b>(7,957)</b>	<b>(4,256)</b>	<b>8,375</b>	<b>(180)</b>
<b>Comprehensive income (loss)</b>	<b>\$ 25,267</b>	<b>\$ (1,460)</b>	<b>\$ 12,777</b>	<b>\$ 3,622</b>	<b>\$ 40,206</b>	<b>\$ 2,536</b>	<b>\$ (817)</b>	<b>\$ 310</b>	<b>\$ 9,699</b>	<b>\$ 11,728</b>

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 03/31/2018	6 months ended 06/30/2018	9 months ended 09/30/2018	12 months ended 12/31/2018	3 months ended 03/31/2019	6 months ended 06/30/2019	9 months ended 09/30/2019	12 months ended 12/31/2019
<b>Cash flows from operating activities</b>								
Net income (loss)	\$ 17,751	\$ 24,343	\$ 35,507	\$ 44,841	\$ (1,122)	\$ 6,018	\$ 10,584	\$ 11,908
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:								
Depreciation and amortization	19,820	39,847	59,993	79,566	21,724	43,113	63,998	85,693
Provision for doubtful accounts and sales returns	1,774	3,697	4,760	6,890	2,032	4,646	6,192	8,725
Stock-based compensation expense	11,092	24,953	35,683	48,274	13,726	28,755	43,621	58,633
Deferred taxes	902	1,121	1,430	(619)	(1,155)	465	(75)	(3,600)
Amortization of deferred financing costs and discount	188	376	564	752	188	376	564	752
Other non-cash adjustments	(197)	(419)	(2,085)	(1,912)	1,820	1,982	2,047	4,906
Changes in operating assets and liabilities, net of acquisition of businesses:								
Accounts receivable	5,088	(38,092)	(4,480)	2,166	(1,797)	(45,071)	(6,375)	(6,569)
Prepaid expenses and other assets	(10,052)	(18,629)	(12,372)	(5,217)	(12,107)	(12,725)	(5,129)	6,383
Trade accounts payable	(1,655)	6,327	(134)	9,487	(3,624)	216	(74)	12,900
Accrued expenses and other liabilities	(14,092)	(6,675)	(6,923)	(2,027)	(11,690)	(9,014)	(13,592)	(9,718)
Deferred revenue	(18,866)	29,545	25,888	19,184	(18,006)	26,328	20,363	12,464
<b>Net cash provided by (used in) operating activities</b>	<b>11,753</b>	<b>66,394</b>	<b>137,831</b>	<b>201,385</b>	<b>(10,011)</b>	<b>45,089</b>	<b>122,124</b>	<b>182,477</b>
<b>Cash flows from investing activities</b>								
Purchase of property and equipment	(5,771)	(9,575)	(12,910)	(14,719)	(1,152)	(6,375)	(9,597)	(11,492)
Capitalized software development costs	(7,103)	(16,359)	(26,629)	(37,629)	(11,319)	(23,206)	(34,513)	(46,874)
Purchase of net assets of acquired companies, net of cash and restricted cash acquired	(5,036)	(45,315)	(45,315)	(44,943)	(109,386)	(109,386)	(109,353)	(109,353)
Other investing activities	—	—	—	(500)	—	500	500	500
<b>Net cash used in investing activities</b>	<b>(17,910)</b>	<b>(71,249)</b>	<b>(84,854)</b>	<b>(97,791)</b>	<b>(121,857)</b>	<b>(138,467)</b>	<b>(152,963)</b>	<b>(167,219)</b>
<b>Cash flows from financing activities</b>								
Proceeds from issuance of debt	81,700	173,500	219,900	270,900	271,500	329,100	371,200	424,000
Payments on debt	(52,875)	(132,150)	(233,225)	(322,476)	(75,175)	(155,150)	(255,625)	(344,500)
Employee taxes paid for withheld shares upon equity award settlement	(22,511)	(25,184)	(27,398)	(27,685)	(18,400)	(19,760)	(20,279)	(23,781)
Proceeds from exercise of stock options	9	11	11	11	3	6	7	7
Change in due to customers	(434,640)	(309,189)	(425,218)	(188,502)	(242,885)	(107,808)	(215,942)	77,793
Customer funds receivable	(4,783)	(4,391)	(4,371)	(844)	(3,573)	(3,741)	(6,283)	1,301
Dividend payments to stockholders	(5,825)	(11,653)	(17,484)	(23,312)	(5,901)	(11,802)	(17,705)	(23,607)
<b>Net cash (used in) provided by financing activities</b>	<b>(438,925)</b>	<b>(309,056)</b>	<b>(487,785)</b>	<b>(291,908)</b>	<b>(74,431)</b>	<b>30,845</b>	<b>(144,627)</b>	<b>111,213</b>
Effect of exchange rate on cash, cash equivalents, and restricted cash	713	(1,606)	(285)	(2,014)	1,036	(526)	(2,240)	978
<b>Net (decrease) increase in cash, cash equivalents, and restricted cash</b>	<b>(444,369)</b>	<b>(315,517)</b>	<b>(435,093)</b>	<b>(190,328)</b>	<b>(205,263)</b>	<b>(63,059)</b>	<b>(177,706)</b>	<b>127,449</b>
<b>Cash, cash equivalents, and restricted cash, beginning of period</b>	<b>640,174</b>	<b>640,174</b>	<b>640,174</b>	<b>640,174</b>	<b>449,846</b>	<b>449,846</b>	<b>449,846</b>	<b>449,846</b>
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b>\$ 195,805</b>	<b>\$ 324,657</b>	<b>\$ 205,081</b>	<b>\$ 449,846</b>	<b>\$ 244,583</b>	<b>\$ 386,787</b>	<b>\$ 272,140</b>	<b>\$ 577,295</b>

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

(in thousands, except share and per share amounts)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
<b>GAAP Revenue</b>	\$ 204,184	\$ 213,672	\$ 209,532	\$ 221,218	\$ 848,606	\$ 215,830	\$ 225,634	\$ 221,120	\$ 237,839	\$ 900,423
<b>Non-GAAP adjustments:</b>										
Add: Acquisition-related deferred revenue write-down	348	919	571	571	2,409	716	716	259	241	1,932
<b>Non-GAAP revenue</b>	\$ 204,532	\$ 214,591	\$ 210,103	\$ 221,789	\$ 851,015	\$ 216,546	\$ 226,350	\$ 221,379	\$ 238,080	\$ 902,355
<b>GAAP gross profit</b>	\$ 116,147	\$ 118,500	\$ 114,295	\$ 117,922	\$ 466,864	\$ 116,547	\$ 124,827	\$ 119,323	\$ 121,302	\$ 481,999
<b>GAAP gross margin</b>	56.9%	55.5%	54.5%	53.3%	55.0%	54.0%	55.3%	54.0%	51.0%	53.5%
<b>Non-GAAP adjustments:</b>										
Add: Acquisition-related deferred revenue write-down	348	919	571	571	2,409	716	716	259	241	1,932
Add: Stock-based compensation expense	1,095	1,645	1,270	1,232	5,242	974	791	784	817	3,366
Add: Amortization of intangibles from business combinations	10,386	10,677	10,625	10,545	42,233	11,416	11,329	11,225	10,799	44,769
Add: Employee severance	575	12	279	52	918	1,119	(4)	19	87	1,221
Add: Acquisition-related integration costs	—	25	—	—	25	—	—	—	—	—
Subtotal	12,404	13,278	12,745	12,400	50,827	14,225	12,832	12,287	11,944	51,288
<b>Non-GAAP gross profit</b>	\$ 128,551	\$ 131,778	\$ 127,040	\$ 130,322	\$ 517,691	\$ 130,772	\$ 137,659	\$ 131,610	\$ 133,246	\$ 533,287
<b>Non-GAAP gross margin</b>	62.9%	61.4%	60.5%	58.8%	60.8%	60.4%	60.8%	59.5%	56.0%	59.1%
<b>GAAP income from operations</b>	\$ 17,581	\$ 11,374	\$ 15,783	\$ 14,679	\$ 59,417	\$ 2,185	\$ 13,491	\$ 7,883	\$ 3,586	\$ 27,145
<b>GAAP operating margin</b>	8.6%	5.3%	7.5%	6.6%	7.0%	1.0%	6.0%	3.6%	1.5%	3.0%
<b>Non-GAAP adjustments:</b>										
Add: Acquisition-related deferred revenue write-down	348	919	571	571	2,409	716	716	259	241	1,932
Add: Stock-based compensation expense	11,092	13,861	10,730	12,591	48,274	13,726	15,029	14,866	15,012	58,633
Add: Amortization of intangibles from business combinations	11,655	11,878	11,862	11,682	47,077	12,792	12,481	11,928	12,884	50,085
Add: Employee severance	931	100	682	533	2,246	3,421	191	48	765	4,425
Add: Acquisition-related integration costs	433	2,194	756	300	3,683	718	464	1,024	189	2,395
Add: Acquisition-related expenses	394	1,211	269	972	2,846	445	365	220	132	1,162
Add: Restructuring costs	811	3,688	(914)	1,005	4,590	1,953	730	400	2,725	5,808
Subtotal	25,664	33,851	23,956	27,654	111,125	33,771	29,976	28,745	31,948	124,440
<b>Non-GAAP income from operations</b>	\$ 43,245	\$ 45,225	\$ 39,739	\$ 42,333	\$ 170,542	\$ 35,956	\$ 43,467	\$ 36,628	\$ 35,534	\$ 151,585
<b>Non-GAAP operating margin</b>	21.1%	21.1%	18.9%	19.1%	20.0%	16.6%	19.2%	16.5%	14.9%	16.8%
<b>GAAP income (loss) before (benefit) provision for income taxes</b>	\$ 14,224	\$ 7,417	\$ 11,496	\$ 11,485	\$ 44,622	\$ (2,956)	\$ 9,873	\$ 4,930	\$ (1,262)	\$ 10,585
<b>GAAP net income (loss)</b>	\$ 17,751	\$ 6,592	\$ 11,164	\$ 9,334	\$ 44,841	\$ (1,122)	\$ 7,140	\$ 4,566	\$ 1,324	\$ 11,908
Shares used in computing GAAP diluted earnings (loss) per share	48,009,395	48,053,094	48,160,146	48,025,617	48,045,084	47,516,912	48,160,684	48,464,529	48,572,575	48,312,271
<b>GAAP diluted earnings (loss) per share</b>	\$ 0.37	\$ 0.14	\$ 0.23	\$ 0.19	\$ 0.93	\$ (0.02)	\$ 0.15	\$ 0.09	\$ 0.03	\$ 0.25
<b>Non-GAAP adjustments:</b>										
Add: GAAP income tax (benefit) provision	(3,527)	825	332	2,151	(219)	(1,834)	2,733	364	(2,586)	(1,323)
Add: Total Non-GAAP adjustments affecting income from operations	25,664	33,851	23,956	27,654	111,125	33,771	29,976	28,745	31,948	124,440
<b>Non-GAAP income before provision for income taxes</b>	39,888	41,268	35,452	39,139	155,747	30,815	39,849	33,675	30,686	135,025
Assumed non-GAAP income tax provision <sup>(2)</sup>	7,978	8,254	7,090	7,828	31,149	6,163	7,970	6,735	6,137	27,005
<b>Non-GAAP net income</b>	\$ 31,910	\$ 33,014	\$ 28,362	\$ 31,311	\$ 124,598	\$ 24,652	\$ 31,879	\$ 26,940	\$ 24,549	\$ 108,020
Shares used in computing Non-GAAP diluted earnings per share	48,009,395	48,053,094	48,160,146	48,025,617	48,045,084	48,051,289	48,160,684	48,464,529	48,572,575	48,312,271
<b>Non-GAAP diluted earnings per share</b>	\$ 0.66	\$ 0.69	\$ 0.59	\$ 0.65	\$ 2.59	\$ 0.51	\$ 0.66	\$ 0.56	\$ 0.51	\$ 2.24

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

Note 2: We apply a non-GAAP effective tax rate of 20.0% in our determination of non-GAAP net income, which represents the GAAP effective tax rate, excluding the discrete tax effect of stock-based compensation.

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

(in thousands)	3 months ended 3/31/2018	6 months ended 6/30/2018	9 months ended 9/30/2018	12 months ended 12/31/2018	3 months ended 3/31/2019	6 months ended 6/30/2019	9 months ended 9/30/2019	12 months ended 12/31/2019
<b>GAAP net cash provided by (used in) operating activities</b>	11,753	66,394	137,831	201,385	(10,011)	45,089	122,124	182,477
Less: purchase of property and equipment	(5,771)	(9,575)	(12,910)	(14,719)	(1,152)	(6,375)	(9,597)	(11,492)
Less: capitalized software development costs	(7,103)	(16,359)	(26,629)	(37,629)	(11,319)	(23,206)	(34,513)	(46,874)
<b>Non-GAAP free cash flow</b>	<b>\$ (1,121)</b>	<b>\$ 40,460</b>	<b>\$ 98,292</b>	<b>\$ 149,037</b>	<b>\$ (22,482)</b>	<b>\$ 15,508</b>	<b>\$ 78,014</b>	<b>\$ 124,111</b>