Blackbaud Investor Presentation

TICKER: BLKB

May 3, 2022

blackbaud®

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; the implementation of our new global enterprise resource planning system; uncertainty regarding the COVID-19 disruption and potential legal proceedings involving us and uncertainty regarding existing legal proceedings and the other risk factors set forth from time to time in the Company's SEC filings. Factors that could cause or contribute to such differences include, but are not limited to, those summarized under Risk Factors in the Company's most recent annual report on Form 10-K, and any quarterly reports on Forms 10-Q thereafter, copies of which are available free of charge at the SEC's website at www.sec.gov or upon request from the Company's investor relations department. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent the Company's beliefs and assumptions only as of the date of this presentation. Except as required by law, the Company does not intend, and undertakes no obligation, to revise or update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

Trademark Usage

Historical Financials and Non-GAAP Financial Measures

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

Blackbaud discusses non-GAAP organic revenue growth measures, including non-GAAP organic revenue growth, non-GAAP organic revenue growth on a constant currency basis and non-GAAP organic recurring revenue growth, which Blackbaud believes provide useful information for evaluating the periodic growth of its business as well as growth on a consistent basis. Each measure of non-GAAP organic revenue growth excludes incremental acquisition-related revenue attributable to companies acquired in the current fiscal year. For companies acquired in the immediately preceding fiscal year, if any, each measure of non-GAAP organic revenue growth reflects presentation of full year incremental non-GAAP revenue derived from such companies as if they were combined throughout the prior period, and it includes the current period non-GAAP revenue attributable to those companies. In addition, each measure of non-GAAP organic revenue growth excludes prior period revenue associated with divested businesses. The exclusion of the prior period revenue is intended to present the results of the divested businesses within the results of the combined company for the same period of time in both the prior and current periods. Blackbaud believes this presentation provides a more comparable representation of our current business' organic revenue growth and revenue run-rate. In these materials, Blackbaud is presenting the following unaudited information: historical recurring and total revenue for the three month period ended March 31, 2022, for the fiscal year ended December 31, 2021 and the interim periods therein; calculations for recurring revenue growth and total revenue growth for the period ended March 31, 2022; and calculations of non-GAAP organic recurring revenue growth, non-GAAP organic revenue growth and non-GAAP organic revenue growth on a constant currency basis for the same periods.

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

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

Historical Financial Statements Being Presented: In these materials, Blackbaud is presenting the following unaudited historical financial information: historical consolidated balance sheets as of the fiscal year ended December 31, 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 year ended December 31, 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 year ended December 31, 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 year ended December 31, 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 and Rule of 40 can be found in the Appendix to these materials and on the "Investor Relations" page of the Company's website.

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

Key Messages

1. Leader in a large, resilient, and growing global market
2. Multiple levers exist to accelerate revenue growth
3. Revenue growth and scalability drive margin expansion
4. Rapidly innovating for our customers and positioned to capture digital shift

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

High Single-Digit

organic revenue growth

40%+

using a Rule of 40 framework

01

Our Markets

02

Key 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
- 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[1]

Millions of users across 100+ countries[1]

1st Place:
Blackbaud Education
Management Solutions

Source: (1) Internal Statistics

Driving significant value for our customers

200%
Boost in fundraising, including a $1 million gift, powered by Blackbaud Raiser's Edge NXT®

$400K
Raised through a virtual chili cook-off powered by JustGiving® from Blackbaud® Peer-to-Peer Fundraising

University of Delaware | Community Home Health & Hospice | United Airlines | Archbishop Moeller High School | Charleston Animal Society | Longue Vue — Your House, Your Gardens

43%
Increase in fundraising dollars using data-driven strategy informed by Blackbaud Fundraiser Performance Management™ and donorCentrics®

300K
meals packed by employees for Rise Against Hunger using YourCause® CSRconnect®

100X
reduction in time setting up tuition account with Blackbaud's suite of education management solutions

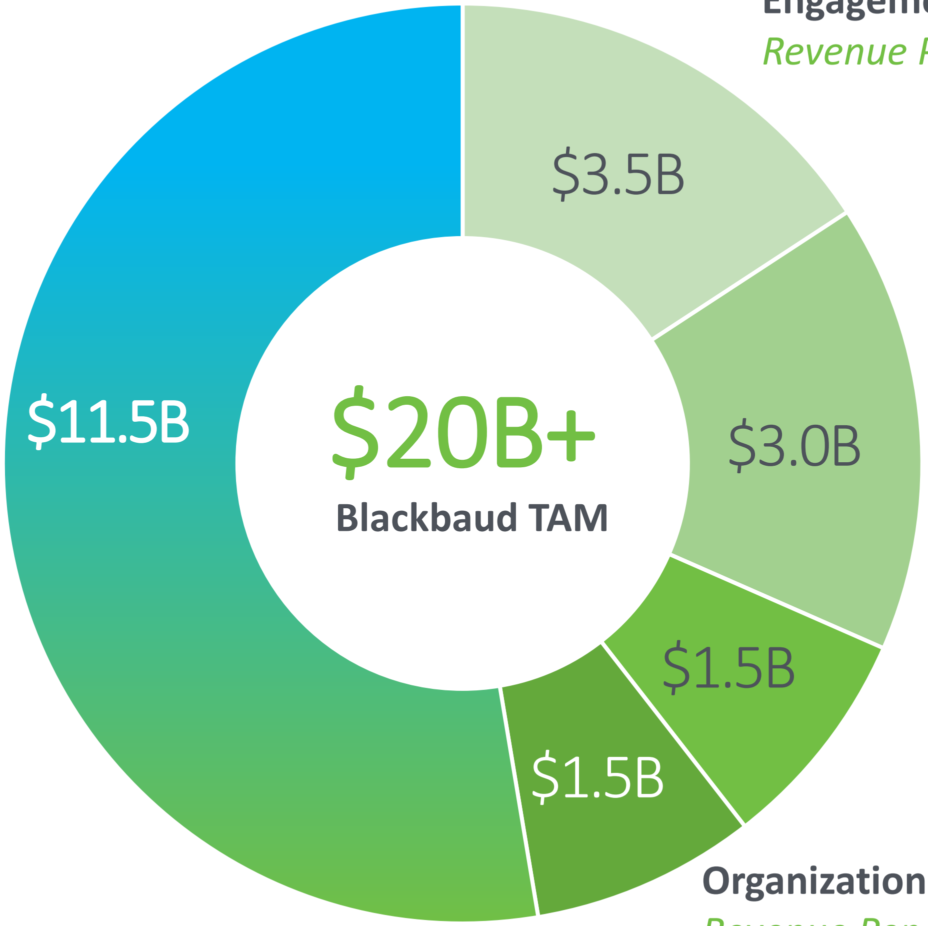
+61%
growth in percentage of tickets sold online with implementation of Blackbaud Altru®

Sourced from Blackbaud customer stories

Large and underpenetrated total addressable market (TAM) opportunity

Corporate Social Responsibility and ESG
Revenue Penetration: <5%

2X increase
in Blackbaud's TAM with expanded opportunity in CSR and ESG through recent acquisition of EVERFI



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

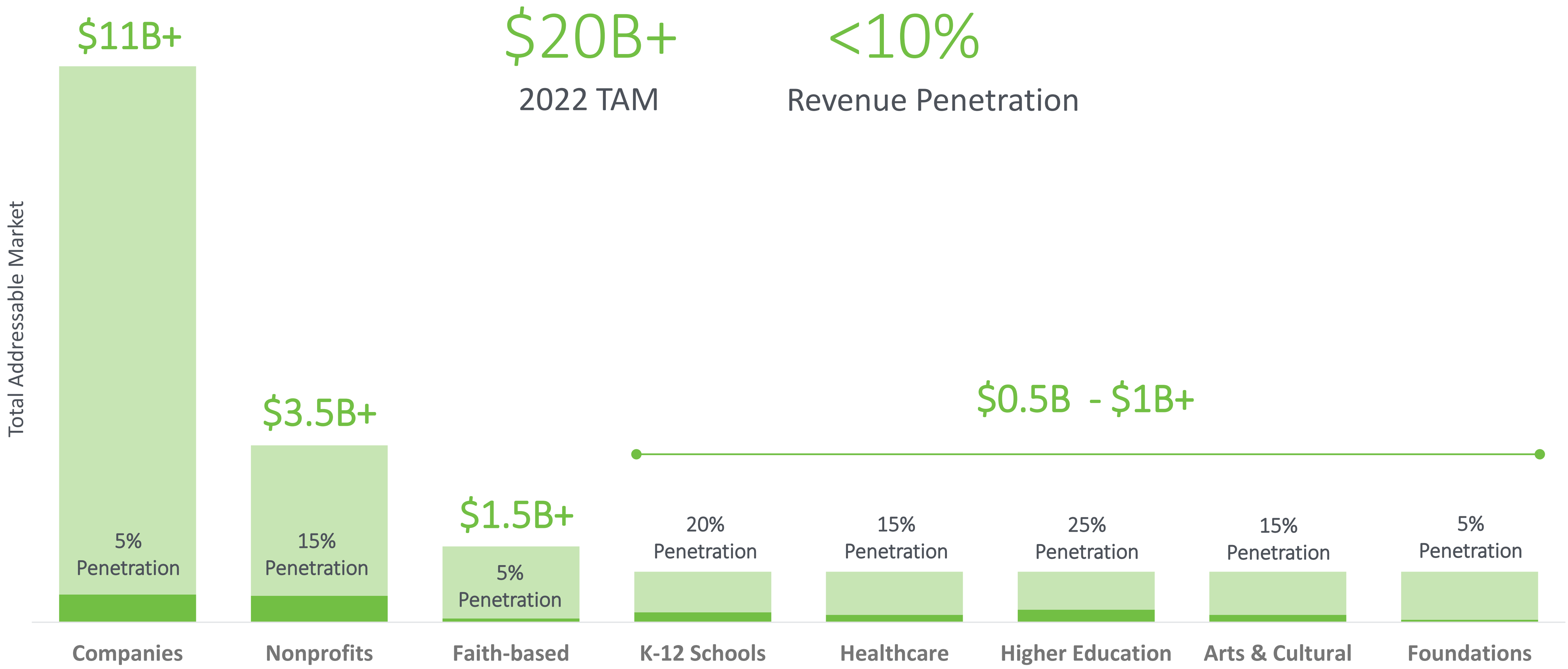
Payment Services
Revenue Penetration: <10%

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

Organizational and Program Management
Revenue Penetration: <10%

Sources: FY 2021 Blackbaud Revenue. Global Blackbaud TAM based on IRS data, Canadian Revenue Agency, Private School Universe, IPEDS, Dun & Bradstreet, HIMSS, Guidestar, S&P Global database, Small Business & Entrepreneurship Council, Blackbaud internal data

Opportunity for growth extends across vertical markets



Sources: FY 2021 Blackbaud Revenue. Global Blackbaud TAM based on IRS data, Canadian Revenue Agency, Private School Universe, IPEDS, Dun & Bradstreet, HIMSS, Guidestar, S&P Global database, Small Business & Entrepreneurship Council, Blackbaud internal data

01

Our Markets

02

Key Differentiators

03

Strategy for Growth

04

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[1]

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

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

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

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

blackbaud

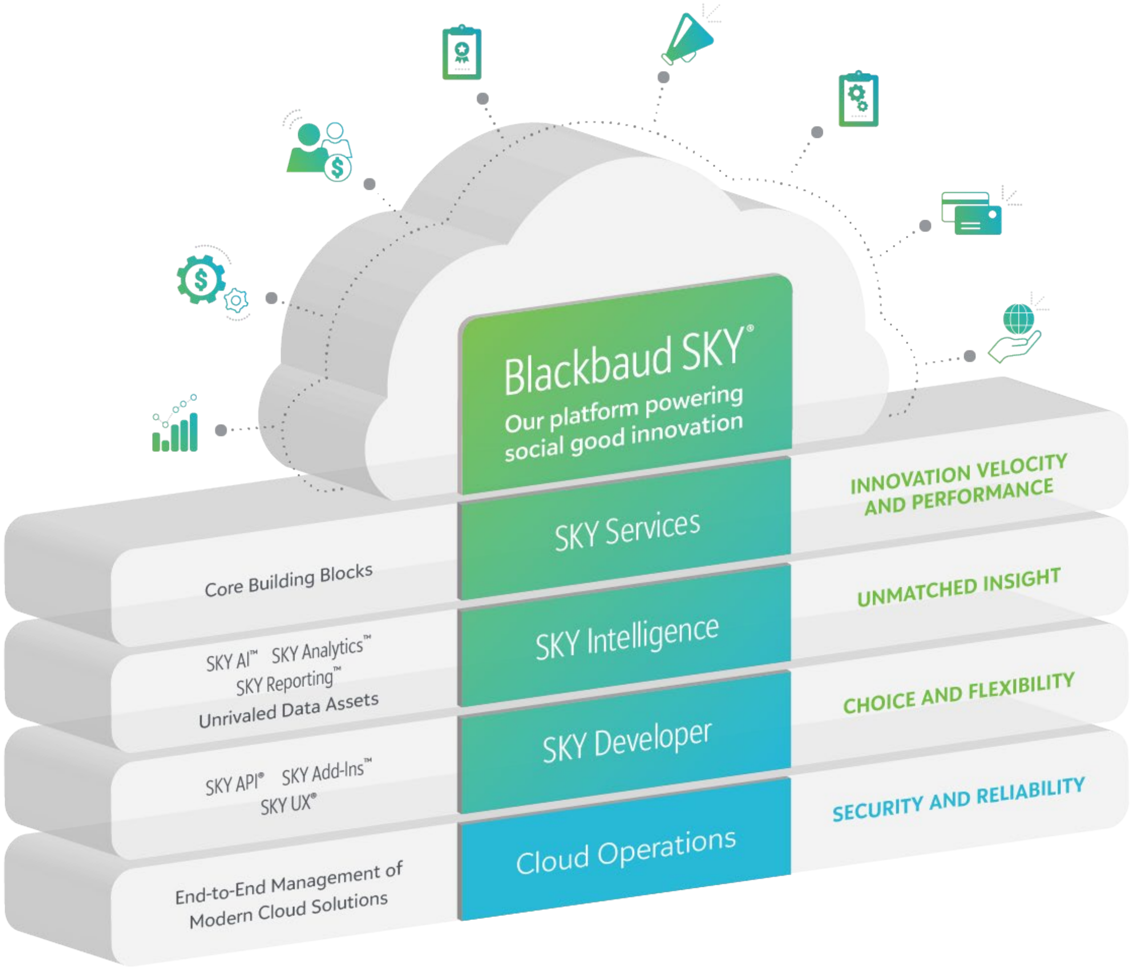
Corporate Social Responsibility & ESG	Fundraising, Relationship Management & Engagement	Payment Services	Financial Management, Grant & Award Management	Organizational & Program Management

OUR COMPETITORS[2]

Corporate Social Responsibility & ESG	Fundraising, Relationship Management & Engagement	Payment Services	Financial Management, Grant & Award Management	Organizational & Program Management
benevity	salesforce.org (and partners)	Authorize.Net	Intacct	FACTS | renweb
CyberGrants	donorperfect	Network for Good	intuit quickbooks	VERACROSS
Bright Funds	We WealthEngine	communitybrands	AWARDSPRING	tessitura NETWORK
	bloomerang	PowerSchool	FOUNDANT technologies	ACS Technologies

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

Built on industry leading cloud technology



Power of the Platform

Common shared components

Continuous innovation and feature deployment

Accelerated time to market

Integrated capabilities

Enables a network effect

We make it simple with one accountable partner

Cloud Software

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

Expertise

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

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.

A culture built on unmatched commitment to social good

We work as one.

We bring heart.

We invent possibilities.

We expect the best.

We give back.

7 out of 10

employees volunteer logging over 100,000 hours annually

1 out of 5

employees serve on nonprofit boards

600+

engineers; largest R&D investment in the sector

30%

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

500+

employees worked previously for social good organizations

9 out of 10

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

1 out of 3

employees belong to an employee-led affinity group

1 out of 4

employees participate in our matching gift program

Note: Internal Statistics

01

Our Markets

02

Key Differentiators

03

Strategy for Growth

04

Financial Strategy

Growth driven by a four-point strategy

1 **Expand total addressable market**

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

2 **Lead with world class teams and operations**

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

3 **Delight customers with innovative cloud solutions**

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

4 **Focus on employees, culture, and ESG initiatives**

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

STRATEGY 1

Expand total addressable market

Acquiring, building, and partnering into near adjacent markets

2014 - Acquisition	WhippleHill
2014 - Acquisition	MicroEdge
2015 - Acquisition	SMART TUITION
2016 - Acquisition	Attentive.ly
2017 - Acquisition	academicworks
2017 - Acquisition	JustGiving
2018 - Acquisition	Reeher
2018 - New Solution	Blackbaud Church Management™
2018 - New Solution	Blackbaud Education Management
2019 - Acquisition	YourCause
2021 - Acquisition	EVERFI

$14B+

in TAM added through acquisitions and new solution builds

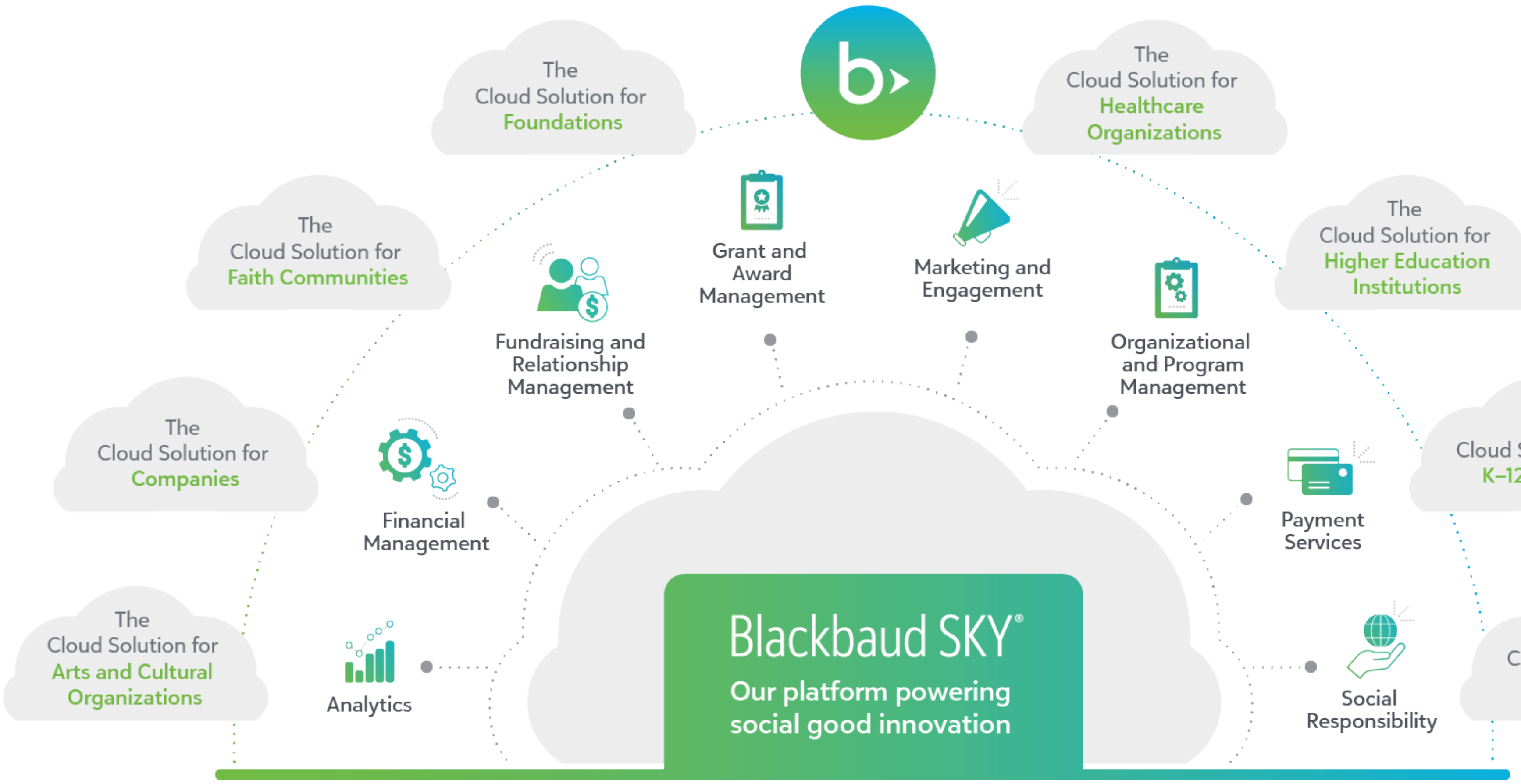
Lead with world class teams and operations

Vertical Go-to-market
focus on customer needs and solution selling

Centers of Excellence
support functions with common systems, metrics, and measurement

Productivity Improvement
continuous improvement across all functions of the organization

Delight customers with innovative cloud solutions



STRATEGY 4

Focus on employees, culture and ESG initiatives

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

ENVIRONMENTAL

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

GOVERNANCE

Joined UN Global Compact in 2021

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

Focus on increasing level of disclosure on targets and metrics

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

01

Our Markets

02

Key Differentiators

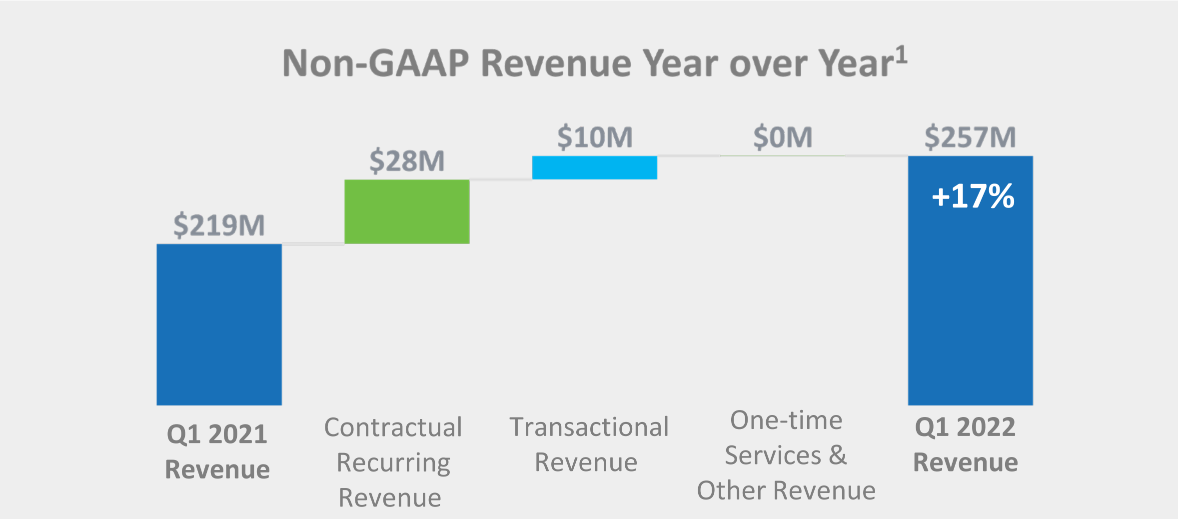
03

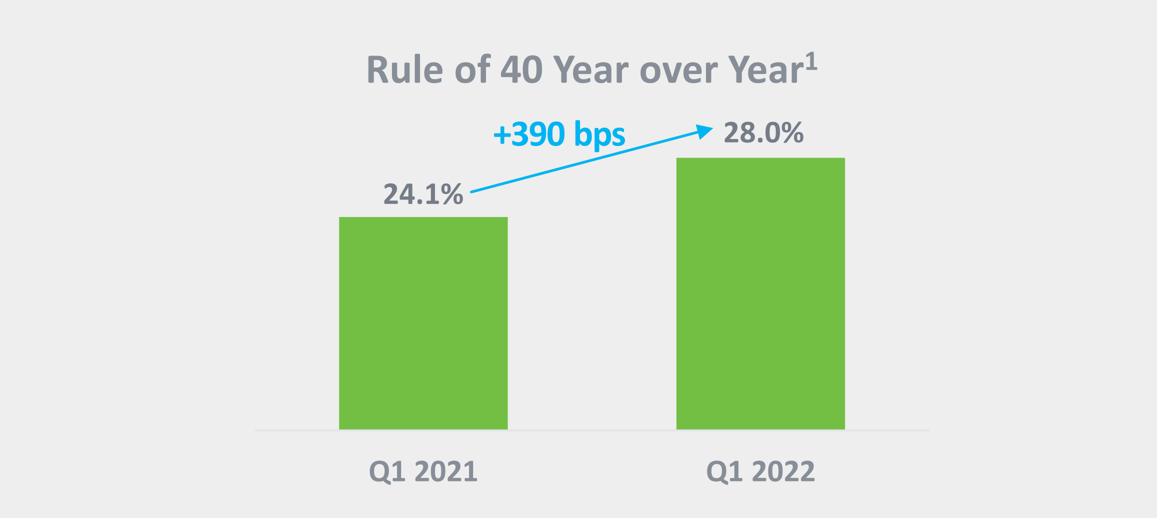
Strategy for Growth

04

Financial Strategy

Strong Q1 2022 Financial Performance





Contractual Recurring Revenue

- EVERFI Q1 contractual recurring revenue of ~$24M
- Continued strength in renewals and bookings trends
- Strong customer retention of 92%

Transactional Revenue

- Benefiting from elevated transactional volumes in the quarter and accelerated shift toward online giving, as well as the continued return of in-person events

One-time Services & Other Revenue

- Roughly flat vs. Q1 2021, addition of EVERFI offset by decline in legacy Blackbaud one-time services revenue - in line with strategy
- Decline in one-time services revenue expected to bottom in 2022

Rule of 40 Highlights:

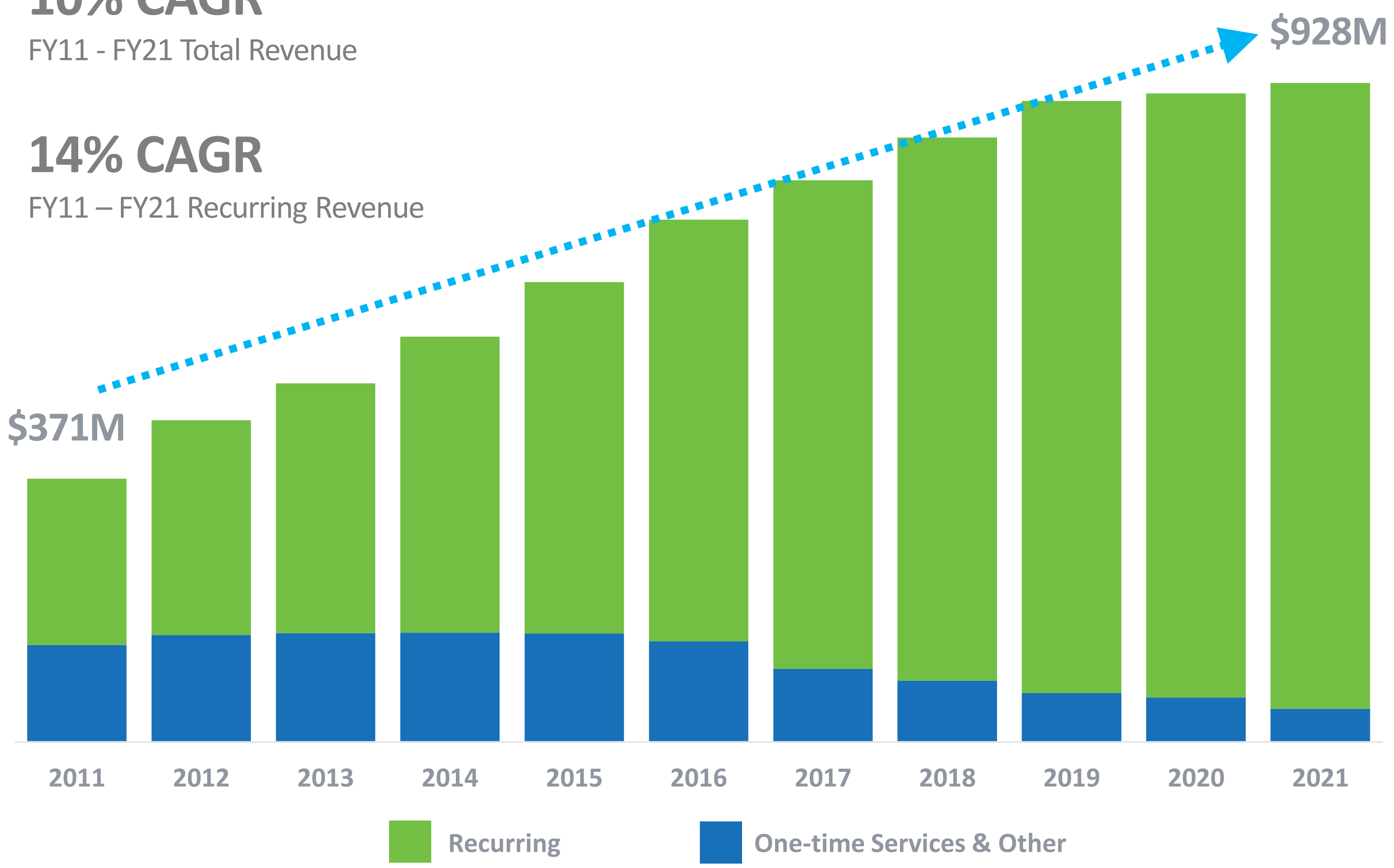
- Outperformed internal plans on revenue growth and profitability in the quarter
- Profitability to start the year reflects addition of EVERFI and anticipated spend carried over from 2021
- Plan calls for meaningful improvement in profitability during remainder of 2022 with further margin upside potential as EVERFI integration progresses
- Reiterated full year 2022 guidance calling for ~30% on a Rule of 40 basis

[1] Non-GAAP performance through 3/31/22. Rule of 40 measured by non-GAAP organic revenue growth + non-GAAP Adjusted EBITDA margin shown at constant currency. Non-GAAP adjusted EBITDA is defined as GAAP net income plus interest, net; income tax provision; depreciation; amortization of intangible assets from business combinations; amortization of software development costs; acquisition-related deferred revenue write-down; stock-based compensation; acquisition-related integration costs; acquisition-related expenses; employee severance; and restructuring and other real estate activities. Please refer to the appendix of this presentation.

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

10% CAGR
FY11 - FY21 Total Revenue

14% CAGR
FY11 – FY21 Recurring Revenue



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

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

Acquisitions grow the revenue base and accelerate growth

2016 SMART TUITION

2017 academicworks JustGiving

2018 Reeher

2019 YourCause

2021 EVERFI

~$285M

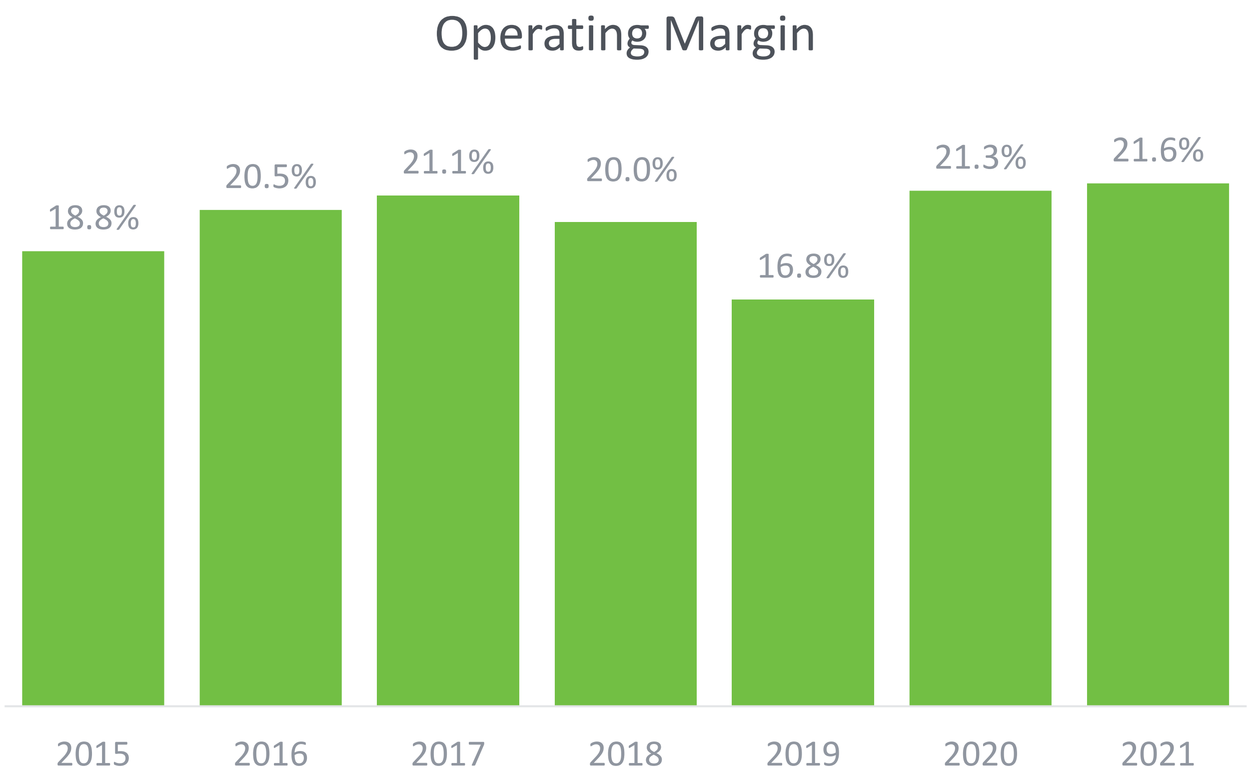
Estimated recurring revenue contribution from recent acquisitions

Acquisition Strategy:

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

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

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



Operating Margin

Leverage opportunities for future expansion:

Go-to-Market Efficiency
Focusing on digital first lead generation, market coverage and sales velocity

Engineering and Innovation
Invest in innovative cloud solutions

Migration to Public Cloud Infrastructure
Enhanced scalability and security

Operational Scale and Efficiency
Continuous simplification, automation and efficiency gains

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

Leverage opportunities exist within gross and operating margin

Dilutive **TOTAL COMPANY GROSS MARGIN** **Accretive**

One-time Services & Other

Payments

Contractual Recurring

Other Transactional

Dilutive **TOTAL COMPANY OPERATING MARGIN** **Accretive**

One-time Services & Other

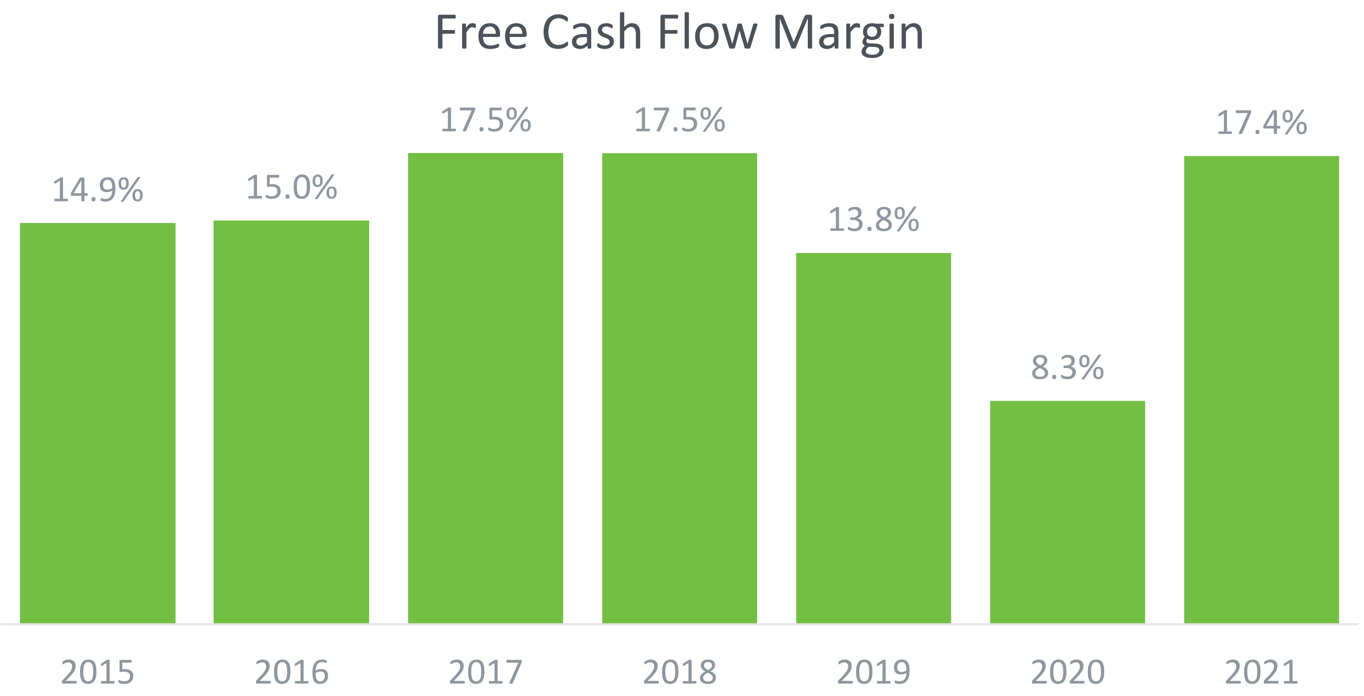
Payments

Contractual Recurring

Other Transactional

2021 Non-GAAP gross margin and operating margin.

Strong free cash flow generation



	2015	2016	2017	2018	2019	2020	2021
Capital Investments	$34M	$44M	$39M	$52M	$58M	$72M	$52M

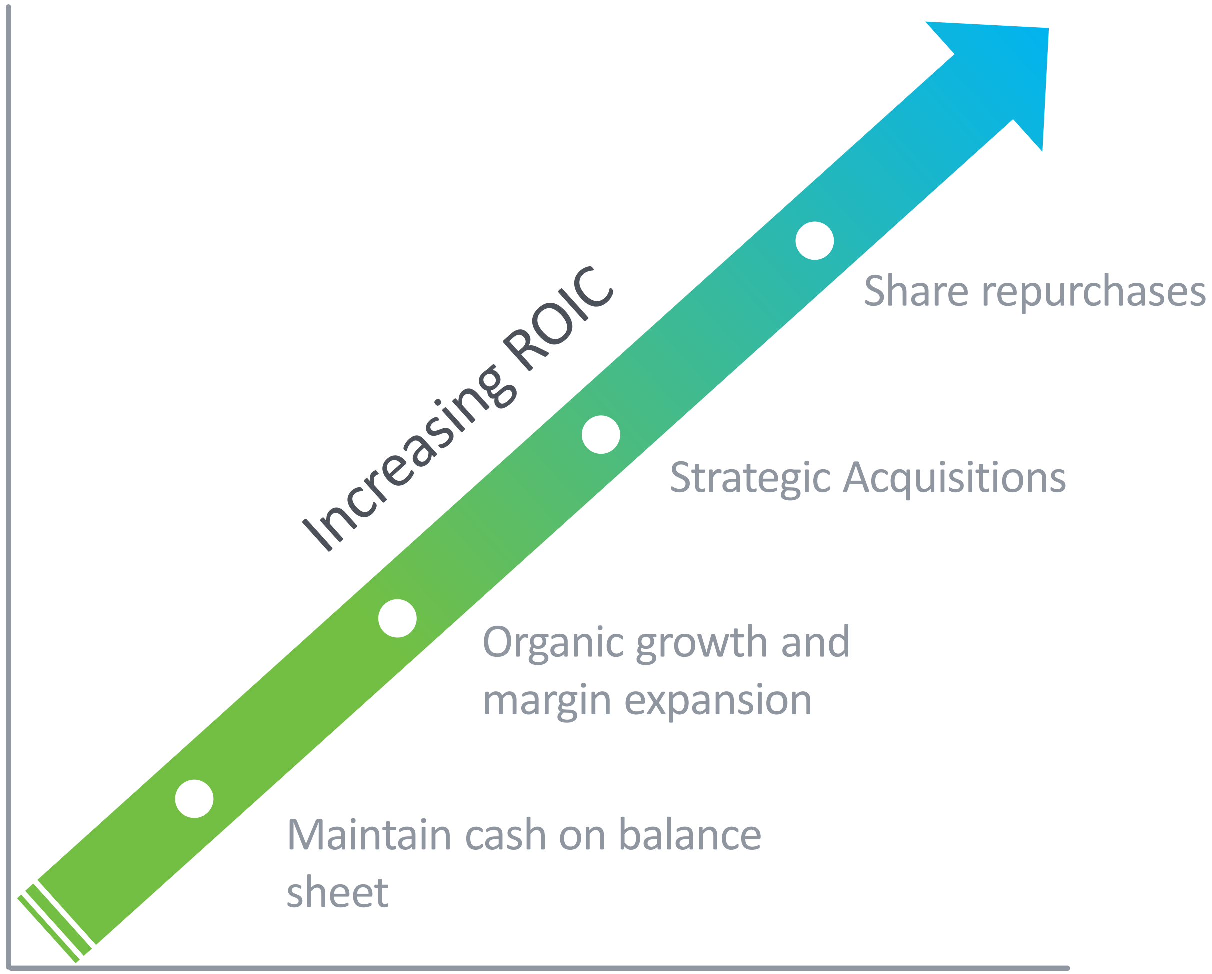
Free Cash Flow Highlights

Free cash flow margins inclusive of investments:

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

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

Capital strategy increases shareholder value



1 Maintain liquidity and access to capital

- Oct 2020 amended, extended and expanded credit facility to $900M, Dec 2021 exercised accordion feature for incremental term loan of $250M
- Maximum Net Leverage: 4.25x

2 Accelerate performance in Rule of 40 framework

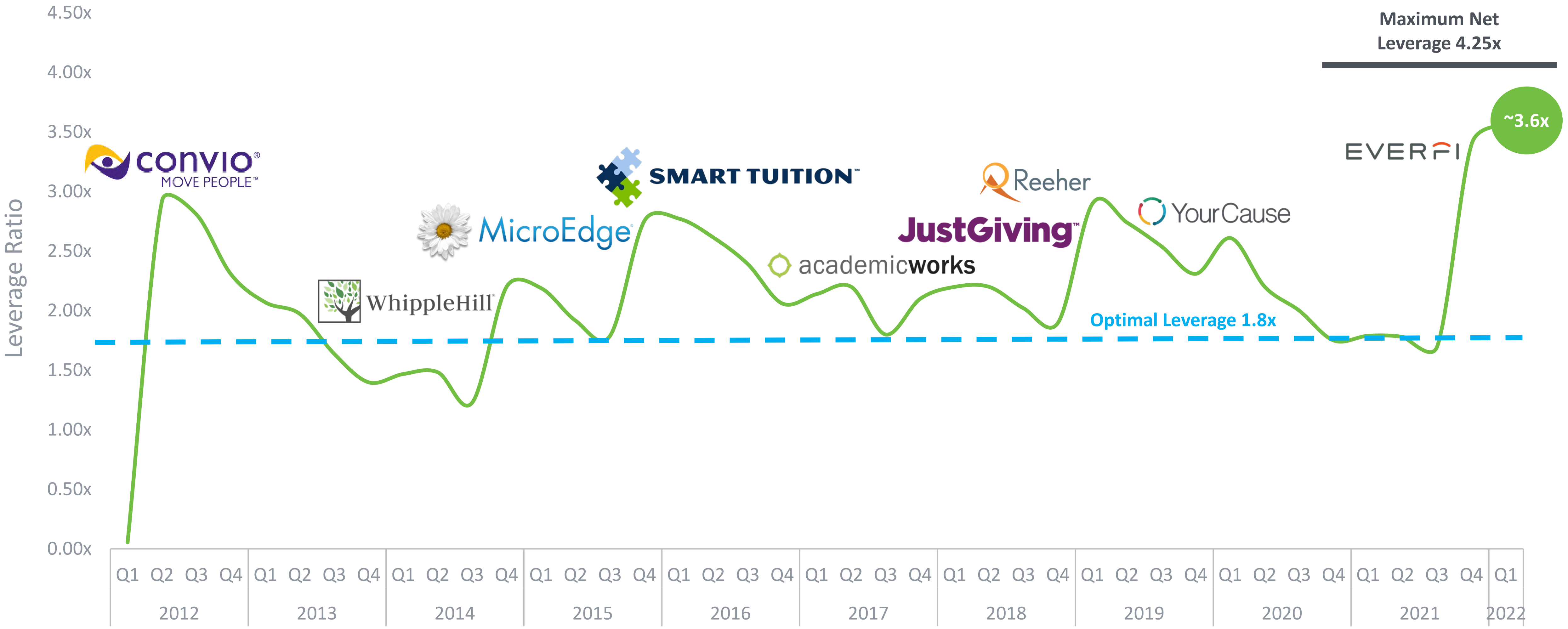
- Capital investments consistent with solution roadmap and strategy
- Constant pursuit of operational efficiencies
- Drives future cash generation

3 Return capital to shareholders

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

Current covenant for leverage ratio is less than or equal to 4.25x through Q3 2022, then drops to 4.0x through Q4 2023. Shares repurchased through 3/31/2022. Details on our share repurchases can be found in our most recent SEC filings.

Proven history of rapid deleveraging post-acquisition



Note: Current covenant for leverage ratio is less than or equal to 4.25x through Q3 2022, then drops 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.

Generating strong returns on invested capital

Strong Returns

2021 WACC: 8.0%

2021 ROIC[(1)]: 17.6%

2.2x

19%
2013-2021
avg ROIC

Driving shareholder value through strong ROIC…

12%
2013-2021
CAGR

…on a significantly larger invested capital base…

…with potential for increased returns driven by Rule of 40 performance.

(1) See appendix for detailed ROIC calculation

Blackbaud + EVERFI: A Powerful Combination for Social Good

Advances Blackbaud's position as a leading technology partner in the large and fast-growing environmental, social and governance (ESG) and corporate social responsibility (CSR) spaces

Category-creating Impact-as-a-Service™ leader with substantial growth synergy driven by cross-sell opportunity with YourCause™

Shared sense of purpose and complementary missions retaining founders and leadership team

Doubles Blackbaud's total addressable market (TAM) opportunity to $20B+ underpinned by long-term ESG growth trends and strong enterprise corporate relationships

Note: Acquired on December 31, 2021

Blackbaud + EVERFI: 2022 Financial Profile

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

- **EVERFI will be immediately accretive to organic revenue growth**, accelerating Blackbaud's long-term financial goals to achieve mid to high single digit growth in 2022
- **EVERFI is profitable with potential for material margin upside** as integration work is completed and through the pursuit of both revenue and cost synergies
- **EVERFI expected to be accretive to Blackbaud's Rule of 40 in the coming years** through the combination of sustainable double-digit revenue growth and improving margin profile

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

Non-GAAP. Guidance reiterated on 5/3/2022. Mid-point presented for illustration only, not as a prediction of 2022 performance.

2022 Total Company Guidance

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

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

Non-GAAP. Guidance reiterated on 5/3/2022. Mid-point presented for illustration only, not as a prediction of 2022 performance. Assumptions included in full year 2022 financial guidance: Non-GAAP annualized effective tax rate of 20%; Interest expense for the year of $30M - $33M; Fully diluted shares for the year in the range of 52M - 53.5M; Capital expenditures for the year in the range of $60M - $70M, including $45M to $55M of capitalized software development costs

In order to provide a meaningful basis for comparison, Blackbaud now uses non-GAAP adjusted free cash flow in analyzing its operating performance. Non-GAAP adjusted free cash flow is defined as operating cash flow less capital expenditures, including costs required to be capitalized for software development, capital expenditures for property and equipment, plus cash flow, net of insurance, related to the previously disclosed Security Incident discovered in May 2020 (the "Security Incident"). For full year 2022, Blackbaud currently expects net cash outlays of $25 million to $35 million for ongoing legal fees related to the Security Incident. In line with the Company's policy, all associated costs due to third-party service providers and consultants, including legal fees, are expensed as incurred. As of March 31, 2022, Blackbaud has not recorded a loss contingency related to the Security Incident as it is unable to reasonably estimate the possible amount or range of such loss. Please refer to the section below titled "Non-GAAP Financial Measures" for more information on Blackbaud's use of non-GAAP financial measures.

Accelerating financial goals within Rule of 40 framework

- Substantial acceleration in near-term organic revenue growth profile and Rule of 40 performance
- Mid to high single-digit organic revenue growth has moved from aspirational target to mid-term expectation
- Increased line of sight into long-term goal of achieving Rule of 40 with elevated organic revenue growth profile

	Near-Term		Mid-Term Goal	Long-Term Goal
	FY 2022 Guidance	FY 2023 Long-Term Incentive Plan Target	2024-2025	2027-2028
Non-GAAP Organic Revenue Growth	~4% - 6%	N/A	Mid to High Single-Digit Annually	High Single-Digit Annually
Rule of 40[1]	~28% - 31%	33%	35%+	40%+

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

Multiple organic growth drivers going forward

High Single-Digit Organic Growth

Near-term Growth Drivers	1. Bookings return to pre-pandemic levels 2. Return of in-person events began in 2021 and expected to continue in 2022 3. Capitalize on accelerated shift to online payments 4. Drag from one-time services bottoms in 2022 - ~200bps drag on 2021 total revenue growth
Capture New Pricing Opportunities	5. Bring proven international pricing innovation to the U.S. 6. Pricing in line with market – two programs underway
Execute Current Growth Initiatives	7. Accelerate bookings performance through increased sales velocity and productivity 8. Capture land and expand opportunity created by growing product portfolio 9. Maximize value from partner program 10. Improve on already strong retention rates

Revenue growth and scalability drive margin expansion

Rule of 40

Go-To-Market Efficiency	1. Reduce customer acquisition cost and improve payback period 2. Increase sales velocity
Innovation and Infrastructure	3. Innovation in the cloud drives lower cost operating structure 4. Shift to third-party cloud infrastructure
Operational Scale and Efficiency	5. Remote-first workforce strategy drives real estate savings 6. Pricing optimization 7. Continuous simplification, automation, and efficiency gains

Maximizing shareholder value

- **Large, resilient and growing global markets** allow for multiple levers to accelerate revenue growth
- **Committed to a clear strategy** focused on achieving "Rule of 40"
- Rapidly **innovating for our customers** and positioned to capture **digital shift** in our markets
- Executing a proven capital allocation strategy to **increase shareholder value**

Appendix

Return on Invested Capital (ROIC) Calculation

(dollars in millions)

	2021
Total Assets	$2,972
Less: Restricted cash and customer funds receivable	(598)
Less: Non-interest bearing current liabilities	(401)
Add: Accumulated depreciation	58
Add: Accumulated amortization of software development	75
Add: Accumulated amortization of ROU assets[1]	24
Add: Accumulated amortization of intangibles	213
Less: Purchase price of 2021 acquisition[2]	(723)
Add: Research & development (excluding stock-based compensation) 3Y Expense[3]	274
Invested Capital	**$1,894**

Income from Operations	25
Add: Rent/Lease expense	11
Add: Depreciation	14
Add: Amortization of software development	33
Add: Amortization of intangibles	37
EBITDA[4]	120
Add: Stock-based compensation	120
Add: R&D Exp (excl SBC)	97
Adjusted EBITDA[4]	338
Less: Implied taxes (assumes 20% tax rate)	(5)
Adjusted NOPAT[4]	$333
Return on invested capital (ROIC)	**17.6%**

(1) With adoption of ASC842 and subsequent addition of right-of-use assets on the balance sheet, value of leased assets is replaced
(2) EVERFI acquired on 12/31/21
(3) Sum of previous three years R&D expense excluding any stock-based compensation
(4) Non-GAAP EBITDA, Adjusted EBITDA, Adjusted NOPAT

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

(dollars in thousands)	Three months ended		Year ended	Three months ended			
	03/31/2022	03/31/2021	12/31/2021	12/31/2021	09/30/2021	06/30/2021	03/31/2021
GAAP revenue	$ 257,124	$ 219,191	$ 927,740	$ 247,891	$ 231,218	$ 229,440	$ 219,191
GAAP revenue growth	**17.3 %**						
Add: Non-GAAP acquisition-related revenue (1)	—	25,229	104,378	27,322	25,986	25,841	25,229
Non-GAAP organic revenue (2)	$ 257,124	$ 244,420	$ 1,032,118	$ 275,213	$ 257,204	$ 255,281	$ 244,420
Non-GAAP organic revenue growth	**5.2 %**						
Non-GAAP organic revenue (2)	$ 257,124	$ 244,420	1,032,118	$ 275,213	$ 257,204	$ 255,281	$ 244,420
Foreign currency impact on Non-GAAP organic revenue (3)	911	—	—	—	—	—	—
Non-GAAP organic revenue on constant currency basis (3)	$ 258,035	$ 244,420	$ 1,032,118	$ 275,213	$ 257,204	$ 255,281	$ 244,420
Non-GAAP organic revenue growth on constant currency basis	**5.6 %**						
GAAP recurring revenue	244,666	206,750	880,850	238,584	218,530	216,986	206,750
GAAP recurring revenue growth	**18.3 %**						
Add: Non-GAAP acquisition-related recurring revenue (1)	—	22,788	93,500	24,731	22,824	23,157	22,788
Non-GAAP organic recurring revenue	$ 244,666	$ 229,538	$ 974,350	$ 263,315	$ 241,354	$ 240,143	$ 229,538
Non-GAAP organic recurring revenue growth	**6.6 %**						

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

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

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

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

(dollars in thousands)	Three months ended	
	03/31/2022	03/31/2021
GAAP net income	$ (10,407)	$ (164)
Non-GAAP adjustments:		
Add: Interest, net	7,476	4,962
Add: GAAP income tax (benefit) provision	(2,050)	684
Add: Depreciation	3,538	3,211
Add: Amortization of intangibles from business combinations	13,300	9,677
Add: Amortization of software development costs[(1)]	9,245	7,963
Subtotal	31,509	26,497
Non-GAAP EBITDA	$ 21,102	$ 26,333
Non-GAAP EBITDA margin	8.2 %	
Non-GAAP adjustments:		
Add: Stock-based compensation expense	27,860	30,005
Add: Employee severance	—	991
Add: Acquisition-related integration costs	643	(98)
Add: Acquisition-related expenses	314	65
Add: Restructuring and other real estate activities	71	(111)
Add: Security Incident-related costs, net of insurance[(2)]	7,201	—
Subtotal	36,089	30,852
Non-GAAP adjusted EBITDA	$ 57,191	$ 57,185
Non-GAAP adjusted EBITDA margin	**22.2 %**	
Rule of 40[(3)]	**27.4 %**	
Non-GAAP adjusted EBITDA	57,191	57,185
Foreign currency impact on Non-GAAP adjusted EBITDA[(4)]	501	(504)
Non-GAAP adjusted EBITDA on constant currency basis[(4)]	$ 57,692	$ 56,681
Non-GAAP adjusted EBITDA margin on constant currency basis	**22.4 %**	
Rule of 40 on constant currency basis[(5)]	**28.0 %**	

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

(2) Includes Security Incident-related costs incurred, net of probable insurance recoveries. Recorded expenses consisted primarily of payments to third-party service providers and consultants, including legal fees, as well as settlements of customer claims. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

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

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

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

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

	Three Months Ended March 31, 2022								
(in thousands, except per share amounts)	GAAP	Stock-based Compensation Expense	Amortization of Intangibles from Business Combinations	Acquisition-related Integration Costs	Acquisition-related Expenses	Restructuring and Other Real Estate Activities	Security Incident-related Costs, Net of Insurance (1)	Non-GAAP Adjustments Subtotal	Non-GAAP
Revenue									
Recurring	$ 244,666	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 244,666
One-time services and other	12,458	—	—	—	—	—	—	—	12,458
Total revenue	**257,124**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**257,124**
Cost of revenue									
Cost of recurring	112,174	(3,118)	(12,130)	—	—	—	—	(15,248)	96,926
Cost of one-time services and other	11,188	(1,031)	(359)	—	—	—	—	(1,390)	9,798
Total cost of revenue	**123,362**	**(4,149)**	**(12,489)**	**—**	**—**	**—**	**—**	**(16,638)**	**106,724**
Gross profit	**133,762**	**4,149**	**12,489**	**—**	**—**	**—**	**—**	**16,638**	**150,400**
Recurring gross margin	*54.2 %*							*6.2 %*	*60.4 %*
One-time services and other gross margin	*10.2 %*							*11.2 %*	*21.4 %*
Total gross margin	***52.0 %***							***6.5 %***	***58.5 %***
Operating expenses									
Sales, marketing and customer success	55,216	(5,011)	—	—	—	—	—	(5,011)	50,205
Research and development	39,952	(6,242)	—	—	—	—	—	(6,242)	33,710
General and administrative	43,762	(12,458)	—	(643)	(314)	(71)	(7,201)	(20,687)	23,075
Amortization	811	—	(811)	—	—	—	—	(811)	—
Total operating expenses	**139,741**	**(23,711)**	**(811)**	**(643)**	**(314)**	**(71)**	**(7,201)**	**(32,751)**	**106,990**
Income from operations	**(5,979)**	**27,860**	**13,300**	**643**	**314**	**71**	**7,201**	**49,389**	**43,410**
Total operating margin	***(2.3)%***							***19.2 %***	***16.9 %***
Net (loss) income	**$ (10,407)**								**$ 29,546**
Shares used in computing diluted (loss) earnings per share	51,200								52,077
Diluted (loss) earnings per share	**$ (0.20)**								**$ 0.57**

(1) Includes Security Incident -related costs incurred, net of probable insurance recoveries. Recorded expenses consisted primarily of payments to third-party service providers and consultants, including legal fees, as well as settlements of customer claims. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

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

Three Months Ended March 31, 2021									
(in thousands, except per share amounts)	GAAP	Stock-based Compensation Expense	Amortization of Intangibles from Business Combinations	Employee Severance	Acquisition-related Integration Costs	Acquisition-related Expenses	Restructuring and Other Real Estate Activities	Non-GAAP Adjustments Subtotal	Non-GAAP
Revenue									
Recurring	$ 206,750	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 206,750
One-time services and other	12,441	—	—	—	—	—	—	—	12,441
Total revenue	**219,191**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**219,191**
Cost of revenue									
Cost of recurring	88,865	(2,411)	(8,652)	—	—	—	—	(11,063)	77,802
Cost of one-time services and other	14,520	(2,947)	(476)	—	—	—	—	(3,423)	11,097
Total cost of revenue	**103,385**	**(5,358)**	**(9,128)**	**—**	**—**	**—**	**—**	**(14,486)**	**88,899**
Gross profit	**115,806**	**5,358**	**9,128**	**—**	**—**	**—**	**—**	**14,486**	**130,292**
Recurring gross margin	*57.0 %*							*5.4 %*	*62.4 %*
One-time services and other gross margin	*(16.7)%*							*27.5 %*	*10.8 %*
Total Gross Margin	***52.8 %***							***6.6 %***	***59.4 %***
Operating expenses									
Sales, marketing and customer success	48,793	(5,428)	—	(906)	—	—	—	(6,334)	42,459
Research and development	29,179	(6,714)	—	—	—	—	—	(6,714)	22,465
General and administrative	30,587	(12,505)	—	(85)	98	(65)	165	(12,392)	18,195
Amortization	549	—	(549)	—	—	—	—	(549)	—
Restructuring	54	—	—	—	—	—	(54)	(54)	—
Total operating expenses	**109,162**	**(24,647)**	**(549)**	**(991)**	**98**	**(65)**	**111**	**(26,043)**	**83,119**
Income from operations	**6,644**	**30,005**	**9,677**	**991**	**(98)**	**65**	**(111)**	**40,529**	**47,173**
Total Operating Margin	***3.0 %***							***18.5 %***	***21.5 %***
Net (loss) income	**$ (164)**								**$ 32,839**
Shares used in computing diluted earnings per share	47,363								48,387
Diluted earnings per share	**$ —**								**$ 0.68**

Historical Consolidated Balance Sheets (Unaudited)

(in thousands)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Assets					
Current assets:					
Cash and cash equivalents	$ 27,753	$ 28,288	$ 27,591	$ 55,146	$ 33,786
Restricted cash due to customers	255,158	434,567	216,122	596,616	279,594
Accounts receivable, net of allowance	83,333	119,270	105,873	102,726	91,770
Customer funds receivable	945	5,390	6,076	977	2,049
Prepaid expenses and other current assets	98,095	103,493	102,319	95,506	99,913
Total current assets	465,284	691,008	457,981	850,971	507,112
Property and equipment, net	105,124	104,914	103,346	111,428	112,675
Operating lease right-of-use assets	20,055	22,630	19,652	53,883	51,808
Software development costs, net	113,624	116,562	118,860	121,377	126,766
Goodwill	637,113	637,510	635,912	1,058,640	1,056,794
Intangible assets, net	269,118	260,072	249,494	698,052	683,348
Other assets	74,022	70,666	69,699	77,266	90,194
Total assets	$ 1,684,340	$ 1,903,362	$ 1,654,944	$ 2,971,617	$ 2,628,697
Liabilities and stockholders' equity					
Current liabilities:					
Trade accounts payable	$ 35,274	$ 30,605	$ 38,388	$ 22,067	$ 39,490
Accrued expenses and other current liabilities	53,013	55,808	58,579	100,096	72,195
Due to customers	254,947	438,633	220,785	594,273	278,179
Debt, current portion	12,875	12,911	12,948	18,697	18,116
Deferred revenue, current portion	290,025	339,670	329,426	374,499	350,952
Total current liabilities	646,134	877,627	660,126	1,109,632	758,932
Debt, net of current portion	537,924	531,973	514,418	937,483	963,109
Deferred tax liability	54,444	56,227	56,144	148,465	144,590
Deferred revenue, net of current portion	4,495	5,749	4,528	4,247	4,725
Operating lease liabilities, net of current portion	15,744	17,173	13,470	53,386	50,785
Other liabilities	9,439	9,339	9,421	1,344	1,506
Total liabilities	1,268,180	1,498,088	1,258,107	2,254,557	1,923,647
Commitments and contingencies					
Stockholders' equity:					
Preferred stock	—	—	—	—	—
Common stock, $0.001 par value	62	62	62	66	68
Additional paid-in capital	574,958	605,486	634,406	968,927	993,223
Treasury stock, at cost	(399,583)	(449,877)	(490,456)	(500,911)	(535,585)
Accumulated other comprehensive income	4,163	6,291	3,319	6,522	15,295
Retained earnings	236,560	243,312	249,506	242,456	232,049
Total stockholders' equity	416,160	405,274	396,837	717,060	705,050
Total liabilities and stockholders' equity	$ 1,684,340	$ 1,903,362	$ 1,654,944	$ 2,971,617	$ 2,628,697

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
Revenue						
Recurring	$ 206,750	$ 216,986	$ 218,530	$ 238,584	$ 880,850	$ 244,666
One-time services and other	12,441	12,454	12,688	9,307	46,890	12,458
Total revenue	219,191	229,440	231,218	247,891	927,740	257,124
Cost of revenue						
Cost of recurring	88,865	94,435	95,823	111,680	390,803	112,174
Cost of one-time services and other	14,520	13,635	11,858	12,379	52,392	11,188
Total cost of revenue	103,385	108,070	107,681	124,059	443,195	123,362
Gross profit	115,806	121,370	123,537	123,832	484,545	133,762
Operating expenses						
Sales, marketing and customer success	48,793	45,452	44,703	47,366	186,314	55,216
Research and development	29,179	30,222	31,566	33,606	124,573	39,952
General and administrative	30,587	32,008	34,733	48,934	146,262	43,762
Amortization	549	567	558	553	2,227	811
Restructuring	54	78	131	—	263	—
Total operating expenses	109,162	108,327	111,691	130,459	459,639	139,741
Income (loss) from operations	6,644	13,043	11,846	(6,627)	24,906	(5,979)
Interest expense	(5,114)	(5,054)	(4,003)	(3,832)	(18,003)	(7,599)
Other (expense) income, net	(1,010)	487	862	(159)	180	1,121
Income (loss) before provision (benefit) for income taxes	520	8,476	8,705	(10,618)	7,083	(12,457)
Income tax provision (benefit)	684	1,745	2,517	(3,561)	1,385	(2,050)
Net (loss) income	$ (164)	$ 6,731	$ 6,188	$ (7,057)	$ 5,698	$ (10,407)
Earnings (loss) per share						
Basic	$ —	$ 0.14	$ 0.13	$ (0.15)	$ 0.12	$ (0.20)
Diluted	$ —	$ 0.14	$ 0.13	$ (0.15)	$ 0.12	$ (0.20)
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
Diluted weighted average shares	47,363,197	48,444,874	48,274,072	46,989,624	48,230,438	51,199,717
Other comprehensive income (loss)						
Foreign currency translation adjustment	2,511	1,783	(3,234)	(399)	661	(2,132)
Unrealized gain on derivative instruments, net of tax	4,149	345	262	3,602	8,358	10,905
Total other comprehensive income (loss)	6,660	2,128	(2,972)	3,203	9,019	8,773
Comprehensive income (loss)	$ 6,496	$ 8,859	$ 3,216	$ (3,854)	$ 14,717	$ (1,634)

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 03/31/2021	6 months ended 06/30/2021	9 months ended 09/30/2021	12 months ended 12/31/2021	3 months ended 03/31/2022
Cash flows from operating activities					
Net (loss) income	$ (164)	$ 6,567	$ 12,755	$ 5,698	$ (10,407)
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
Provision for doubtful accounts and sales returns	2,141	4,418	7,992	11,450	1,875
Stock-based compensation expense	30,005	60,554	89,480	120,379	27,860
Deferred taxes	(1,142)	276	400	(2,429)	(7,431)
Amortization of deferred financing costs and discount	506	879	1,234	1,570	645
Other non-cash adjustments	(32)	155	(527)	10,490	(150)
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
Prepaid expenses and other assets	(17,426)	(18,162)	(14,169)	(2,048)	(2,067)
Trade accounts payable	7,550	2,356	10,728	(9,670)	15,919
Accrued expenses and other liabilities	549	1,443	2,790	(8,190)	(13,430)
Deferred revenue	(22,752)	27,828	17,400	10,526	(22,865)
Net cash provided by operating activities	30,103	99,922	169,788	213,661	24,504
Cash flows from investing activities					
Purchase of property and equipment	(3,470)	(6,128)	(8,332)	(11,664)	(4,266)
Capitalized software development costs	(9,302)	(19,862)	(29,661)	(40,489)	(12,683)
Purchase of net assets of acquired companies, net of cash and restricted cash acquired	—	—	—	(419,120)	(19,985)
Net cash used in investing activities	(12,772)	(25,990)	(37,993)	(471,273)	(36,934)
Cash flows from financing activities					
Proceeds from issuance of debt	80,700	128,300	128,300	582,200	59,400
Payments on debt	(59,667)	(113,477)	(131,272)	(152,971)	(33,765)
Debt issuance costs	—	—	—	(3,106)	—
Employee taxes paid for withheld shares upon equity award settlement	(18,426)	(38,712)	(39,012)	(39,404)	(34,674)
Change in due to customers	(353,597)	(170,061)	(386,973)	(13,464)	(315,294)
Change in customer funds receivable	(563)	(5,014)	(5,838)	(731)	(1,115)
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)
Effect of exchange rate on cash, cash equivalents, and restricted cash	230	992	97	297	(504)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(362,058)	(182,114)	(401,256)	6,793	(338,382)
Cash, cash equivalents, and restricted cash, beginning of period	644,969	644,969	644,969	644,969	651,762
Cash, cash equivalents, and restricted cash, end of period	$ 282,911	$ 462,855	$ 243,713	$ 651,762	$ 313,380

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
GAAP Revenue	$ 219,191	$ 229,440	$ 231,218	$ 247,891	$ 927,740	$ 257,124
GAAP gross profit	$ 115,806	$ 121,370	$ 123,537	$ 123,832	$ 484,545	$ 133,762
GAAP gross margin	52.8 %	52.9 %	53.4 %	50.0 %	52.2 %	52.0 %
Non-GAAP adjustments:						
Add: Stock-based compensation expense	5,358	5,237	4,263	5,094	19,952	4,149
Add: Amortization of intangibles from business combinations	9,128	8,880	8,595	8,209	34,812	12,489
Add: Employee severance	—	15	14	—	29	—
Subtotal	14,486	14,132	12,872	13,303	54,793	16,638
Non-GAAP gross profit	$ 130,292	$ 135,502	$ 136,409	$ 137,135	$ 539,338	$ 150,400
Non-GAAP gross margin	59.4 %	59.1 %	59.0 %	55.3 %	58.1 %	58.5 %
GAAP income (loss) from operations	$ 6,644	$ 13,043	$ 11,846	$ (6,627)	$ 24,906	$ (5,979)
GAAP operating margin	3.0 %	5.7 %	5.1 %	(2.7)%	2.7 %	(2.3)%
Non-GAAP adjustments:						
Add: Stock-based compensation expense	30,005	30,549	28,926	30,899	120,379	27,860
Add: Amortization of intangibles from business combinations	9,677	9,447	9,153	8,762	37,039	13,300
Add: Employee severance	991	451	68	—	1,510	—
Add: Acquisition-related integration costs	(98)	—	(17)	(9)	(124)	643
Add: Acquisition-related expenses	65	64	67	2,982	3,178	314
Add: Restructuring and other real estate activities	(111)	118	(420)	12,515	12,102	71
Add: Security Incident-related costs, net of insurance[2]	—	470	851	493	1,814	7,201
Subtotal	40,529	41,099	38,628	55,642	175,898	49,389
Non-GAAP income from operations	$ 47,173	$ 54,142	$ 50,474	$ 49,015	$ 200,804	$ 43,410
Non-GAAP operating margin	21.5 %	23.6 %	21.8 %	19.8 %	21.6 %	16.9 %
GAAP income (loss) before provision (benefit) for income taxes	$ 520	$ 8,476	$ 8,705	$ (10,618)	$ 7,083	$ (12,457)
GAAP net (loss) income	$ (164)	$ 6,731	$ 6,188	$ (7,057)	$ 5,698	$ (10,407)
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
GAAP diluted earnings (loss) per share	$ —	$ 0.14	$ 0.13	$ (0.15)	$ 0.12	$ (0.20)
Non-GAAP adjustments:						
Add: GAAP income tax provision (benefit)	684	1,745	2,517	(3,561)	1,385	(2,050)
Add: Total Non-GAAP adjustments affecting income from operations	40,529	41,099	38,628	55,642	175,898	49,389
Non-GAAP income before provision for income taxes	41,049	49,575	47,333	45,024	182,981	36,932
Assumed non-GAAP income tax provision[3]	8,210	9,915	9,467	9,005	36,597	7,386
Non-GAAP net income	$ 32,839	$ 39,660	$ 37,866	$ 36,019	$ 146,384	$ 29,546
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
Non-GAAP diluted earnings per share	$ 0.68	$ 0.82	$ 0.78	$ 0.75	$ 3.04	$ 0.57

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

Note 2: Includes Security Incident-related costs incurred, net of probable insurance recoveries. Recorded expenses consisted primarily of payments to third-party service providers and consultants, including legal fees, as well as settlements of customer claims. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

Note 3: We apply a non-GAAP effective tax rate of 20.0% when calculating non-GAAP net income and non-GAAP diluted earnings per share.

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

(in thousands)	3 months ended 3/31/2021	6 months ended 6/30/2021	9 months ended 9/30/2021	12 months ended 12/31/2021	3 months ended 3/31/2022
GAAP net cash provided by operating activities	30,103	99,922	169,788	213,661	24,504
Less: purchase of property and equipment	(3,470)	(6,128)	(8,332)	(11,664)	(4,266)
Less: capitalized software development costs	(9,302)	(19,862)	(29,661)	(40,489)	(12,683)
Non-GAAP free cash flow	$ 17,331	$ 73,932	$ 131,795	$ 161,508	$ 7,555
Add: Security Incident-related cash flows, net of insurance	1,416	3,794	4,549	6,739	823
Non-GAAP adjusted free cash flow	$ 18,747	$ 77,726	$ 136,344	$ 168,247	$ 8,378