

## PRESS RELEASE

### Blackbaud Announces 2019 Second Quarter Results

*Second Quarter Recurring Revenue Grows 8% Representing 92% of Total Revenue;  
Reaffirms 2019 Financial Guidance*

**Charleston, S.C. (July 30, 2019)** - [Blackbaud](#) (NASDAQ: BLKB), the world's leading cloud software company powering social good, today announced financial results for its second quarter ended June 30, 2019.

"This year marks our 15<sup>th</sup> year as a Nasdaq listed public company, which is a testament to the incredible team we have and their dedication to drive powerful social impact and create shareholder value," said Mike Gianoni, Blackbaud's president and CEO. "We continued to drive market-specific innovation across our vertical markets. Soon we will be announcing general availability of Blackbaud Church Management™, part of the Cloud Solution for Faith Communities, and we continue to see strong market traction with our new Education Management portfolio, part of the Cloud Solution for Higher Education™."

Second Quarter 2019 Results Compared to Second Quarter 2018 Results:

- Total GAAP revenue was \$225.6 million, up 5.6%, with \$208.5 million in GAAP recurring revenue, representing 92.4% of total GAAP revenue. GAAP recurring revenue was up 8.2%.
- Total non-GAAP revenue was \$226.4 million, up 5.5%, with \$209.2 million in non-GAAP recurring revenue, representing 92.4% of total non-GAAP revenue. Non-GAAP recurring revenue was up 8.0%.
- Non-GAAP organic recurring revenue increased 5.0%.
- GAAP income from operations was \$13.5 million, with GAAP operating margin of 6.0%, an increase of 70 basis points.
- Non-GAAP income from operations was \$43.5 million, with non-GAAP operating margin of 19.2%, a decrease of 190 basis points.
- GAAP net income was \$7.1 million, with GAAP diluted earnings per share of \$0.15, up \$0.01.
- Non-GAAP net income was \$31.9 million, with non-GAAP diluted earnings per share of \$0.66, down \$0.03.
- Non-GAAP free cash flow was \$38.0 million, a decrease of \$3.6 million.

"Execution against our strategic plan drove solid results for the second quarter as we continue investing to further expand our selling footprint, drive cloud innovation for our customers and ensure scalability in our business," said Tony Boor, Blackbaud's executive vice president and CFO. "We're pleased with the progress of the new sales hires added to date as they ramp to targeted productivity, and we expect to continue hiring as we look to grow our full year sales headcount at an accelerated rate relative to our historical average."

An explanation of all non-GAAP financial measures referenced in this press release is included below under the heading "Non-GAAP Financial Measures." A reconciliation of the company's non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the financial statement tables included below in this press release.

### Recent Company Highlights:

- Blackbaud [Celebrates 15 Years Listed](#) with Nasdaq
- Microsoft Awards Blackbaud [2019 MSUS Partner Award](#) for Industry-Education
- Emmy® Nominated Actress and [Humanitarian Connie Britton to Headline bbcon 2019](#)
- [Pascale Harvie Appointed as President and General Manager](#) for Blackbaud Operations in Europe

Visit <https://www.blackbaud.com/newsroom> for more information about Blackbaud's recent highlights.

### Dividend

Blackbaud announced today that its Board of Directors has declared a third quarter 2019 dividend of \$0.12 per share payable on September 13, 2019 to stockholders of record on August 28, 2019.

### Financial Outlook

Blackbaud today reaffirmed its 2019 full year financial guidance:

- Non-GAAP revenue of \$880 million to \$910 million
- Non-GAAP operating margin of 16.7% to 17.2%
- Non-GAAP diluted earnings per share of \$2.11 to \$2.28
- Non-GAAP free cash flow of \$124 million to \$134 million

Blackbaud has not reconciled forward-looking full-year non-GAAP financial measures contained in this news release to their most directly comparable GAAP measures, as permitted by Item 10(e)(1)(i)(B) of Regulation S-K. 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 during the year. 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.

### Adoption of New Lease Accounting Standard

On January 1, 2019, we adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842) ("ASU 2016-02"), using the transition method that allowed us to initially apply the guidance at the adoption date of January 1, 2019 without adjusting comparative periods presented. ASU 2016-02 requires lessees to record most leases on their balance sheet but recognize expenses in the income statement in a manner similar to previous guidance. The impacts of adoption are reflected in Blackbaud's guidance and the other financial information herein. We have provided more detailed information regarding the impact of our adoption of ASU 2016-02 in our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 3, 2019.

### Conference Call Details

What: Blackbaud's 2019 Second Quarter Conference Call

When: July 31, 2019

Time: 8:00 a.m. (Eastern Time)

Live Call: 800-289-0462 (US/Canada); passcode 097160

Webcast: [Blackbaud's Investor Relations Webpage](#)

## About Blackbaud

Blackbaud (NASDAQ: [BLKB](#)) is the world's leading cloud software company powering social good. Serving the entire social good community—nonprofits, foundations, companies, education institutions, healthcare organizations and individual change agents—Blackbaud connects and empowers organizations to increase their impact through cloud software, services, expertise and data intelligence. The Blackbaud portfolio is tailored to the unique needs of vertical markets, with solutions for fundraising and CRM, marketing, advocacy, peer-to-peer fundraising, corporate social responsibility, school management, ticketing, grantmaking, financial management, payment processing and analytics. Serving the industry for more than three decades, Blackbaud is headquartered in Charleston, South Carolina and has operations in the United States, Australia, Canada and the United Kingdom. For more information, visit [www.blackbaud.com](http://www.blackbaud.com), or follow us on [Twitter](#), [LinkedIn](#), and [Facebook](#).

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## Forward-Looking Statements

Except for historical information, all of the statements, expectations, and assumptions contained in this news release are forward-looking statements which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding: the predictability of our financial results, expectations that our revenue will continue to grow, and expectations that we will achieve our projected 2019 full-year financial guidance. These statements involve a number of risks and uncertainties. Although Blackbaud attempts to be accurate in making these forward-looking statements, it is possible that future circumstances might differ from the assumptions on which such statements are based. In addition, other important factors that could cause results to differ materially include the following: management of integration of acquired companies; uncertainty regarding increased business and renewals from existing customers; a shifting revenue mix that may impact gross margin; continued success in sales growth; risks related to our dividend policy and stock repurchase program, including the possibility that we might discontinue payment of dividends; and the other risk factors set forth from time to time in the SEC filings for Blackbaud, copies of which are available free of charge at the SEC's website at <https://www.sec.gov> or upon request from Blackbaud's investor relations department. Blackbaud assumes no obligation and does not intend to update these forward-looking statements, except as required by law.

## Trademarks

All Blackbaud product names appearing herein are trademarks or registered trademarks of Blackbaud, Inc.

## Non-GAAP Financial Measures

Blackbaud has provided in this release financial information that has not been prepared in accordance with GAAP. This information includes non-GAAP revenue, non-GAAP recurring revenue, non-GAAP gross profit, non-GAAP gross margin, non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income and non-GAAP diluted earnings per share. Blackbaud has acquired businesses whose net tangible assets include deferred revenue. In accordance with GAAP reporting requirements, Blackbaud recorded write-downs of deferred revenue to fair value, which resulted in lower recognized revenue. Both on a quarterly and year-to-date basis, the revenue for the acquired businesses is deferred and typically recognized over a one-year period, so Blackbaud's GAAP revenues for the one-year period after the acquisitions will not reflect the full amount of revenues that would have been reported if the acquired deferred revenue was not written down to fair value. The non-GAAP measures described above reverse the acquisition-related deferred revenue write-downs so that the full amount of revenue booked by the acquired companies is included, which Blackbaud believes provides a more accurate representation of a revenue run-rate in a given period. In addition to reversing write-downs of acquisition-related deferred revenue, non-GAAP financial measures discussed above exclude the impact of certain items that Blackbaud believes are not directly related to its performance in any particular period, but are for its long-term benefit over multiple periods.

In addition, Blackbaud uses non-GAAP organic revenue growth, non-GAAP organic revenue growth on a constant currency basis and non-GAAP organic recurring revenue growth, in analyzing its operating performance. Blackbaud believes that these non-GAAP measures are useful to investors, as a supplement to GAAP measures, for evaluating the periodic growth of its business on a consistent basis. Each of these measures excludes incremental acquisition-related revenue attributable to companies acquired in the current fiscal year. For companies acquired in the immediately preceding fiscal year, each of these measures reflects presentation of full-year incremental non-GAAP revenue derived from such companies as if they were combined throughout the prior period, and it includes the non-GAAP revenue attributable to those companies, as if there were no acquisition-related write-downs of acquired deferred revenue to fair value as required by GAAP. In addition, each of these measures excludes prior period revenue associated with divested businesses. The exclusion of the prior period revenue is to present the results of the divested businesses within the results of the combined company for the same period of time in both the prior and current periods. Blackbaud believes this presentation provides a more comparable representation of its current business' organic revenue growth and revenue run-rate.

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.

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

**Blackbaud, Inc.**  
**Consolidated balance sheets**  
**(Unaudited)**

| (dollars in thousands)   | June 30,<br>2019    | December 31,<br>2018 |
|--|---------------------|----------------------|
| <b>Assets</b>  |                     |                      |
| Current assets:  |                     |                      |
| Cash and cash equivalents  | \$ 32,654           | \$ 30,866            |
| Restricted cash due to customers   | 354,133             | 418,980              |
| Accounts receivable, net of allowance of \$5,231 and \$4,722 at June 30, 2019 and December 31, 2018, respectively  | 131,277             | 86,595               |
| Customer funds receivable  | 5,349               | 1,753                |
| Prepaid expenses and other current assets  | 76,728              | 59,788               |
| <b>Total current assets</b>  | <b>600,141</b>      | <b>597,982</b>       |
| Property and equipment, net  | 39,569              | 40,031               |
| Operating lease right-of-use assets  | 107,165             | —                    |
| Software development costs, net  | 87,880              | 75,099               |
| Goodwill   | 632,269             | 545,213              |
| Intangible assets, net   | 340,615             | 291,617              |
| Other assets   | 66,319              | 65,363               |
| <b>Total assets</b>  | <b>\$ 1,873,958</b> | <b>\$ 1,615,305</b>  |
| <b>Liabilities and stockholders' equity</b>  |                     |                      |
| Current liabilities:   |                     |                      |
| Trade accounts payable   | \$ 35,749           | \$ 34,538            |
| Accrued expenses and other current liabilities   | 60,514              | 46,893               |
| Due to customers   | 359,482             | 420,733              |
| Debt, current portion  | 7,500               | 7,500                |
| Deferred revenue, current portion  | 327,299             | 295,991              |
| <b>Total current liabilities</b>   | <b>790,544</b>      | <b>805,655</b>       |
| Debt, net of current portion   | 553,812             | 379,624              |
| Deferred tax liability   | 48,658              | 44,291               |
| Deferred revenue, net of current portion   | 2,324               | 2,564                |
| Operating lease liabilities, net of current portion  | 100,116             | —                    |
| Other liabilities  | 5,802               | 9,388                |
| <b>Total liabilities</b>   | <b>1,501,256</b>    | <b>1,241,522</b>     |
| Commitments and contingencies  |                     |                      |
| Stockholders' equity:  |                     |                      |
| Preferred stock; 20,000,000 shares authorized, none outstanding  | —                   | —                    |
| Common stock, \$0.001 par value; 180,000,000 shares authorized, 60,187,063 and 59,327,633 shares issued at June 30, 2019 and December 31, 2018, respectively | 60                  | 59                   |
| Additional paid-in capital   | 427,950             | 399,241              |
| Treasury stock, at cost; 11,017,004 and 10,760,574 shares at June 30, 2019 and December 31, 2018, respectively   | (286,644)           | (266,884)            |
| Accumulated other comprehensive loss   | (9,409)             | (5,110)              |
| Retained earnings  | 240,745             | 246,477              |
| <b>Total stockholders' equity</b>  | <b>372,702</b>      | <b>373,783</b>       |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 1,873,958</b> | <b>\$ 1,615,305</b>  |

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

| (dollars in thousands, except per share amounts)             | Three months ended<br>June 30, |                   | Six months ended<br>June 30, |                  |
|--|--------------------------------|-------------------|------------------------------|------------------|
|  | 2019                           | 2018              | 2019                         | 2018             |
| <b>Revenue</b>   |                                |                   |                              |                  |
| Recurring  | \$ 208,468                     | \$ 192,749        | \$ 406,562                   | \$ 373,595       |
| One-time services and other                                  | 17,166                         | 20,923            | 34,902                       | 44,261           |
| <b>Total revenue</b>   | <b>225,634</b>                 | <b>213,672</b>    | <b>441,464</b>               | <b>417,856</b>   |
| <b>Cost of revenue</b>                                       |                                |                   |                              |                  |
| Cost of recurring  | 86,657                         | 76,350            | 171,368                      | 145,429          |
| Cost of one-time services and other                          | 14,150                         | 18,822            | 28,722                       | 37,780           |
| <b>Total cost of revenue</b>                                 | <b>100,807</b>                 | <b>95,172</b>     | <b>200,090</b>               | <b>183,209</b>   |
| <b>Gross profit</b>  | <b>124,827</b>                 | <b>118,500</b>    | <b>241,374</b>               | <b>234,647</b>   |
| <b>Operating expenses</b>                                    |                                |                   |                              |                  |
| Sales, marketing and customer success                        | 55,009                         | 48,493            | 110,464                      | 93,970           |
| Research and development                                     | 25,902                         | 25,297            | 54,363                       | 51,255           |
| General and administrative                                   | 28,543                         | 28,447            | 55,660                       | 53,498           |
| Amortization   | 1,152                          | 1,201             | 2,528                        | 2,470            |
| Restructuring  | 730                            | 3,688             | 2,683                        | 4,499            |
| <b>Total operating expenses</b>                              | <b>111,336</b>                 | <b>107,126</b>    | <b>225,698</b>               | <b>205,692</b>   |
| <b>Income from operations</b>                                | <b>13,491</b>                  | <b>11,374</b>     | <b>15,676</b>                | <b>28,955</b>    |
| Interest expense   | (5,799)                        | (4,303)           | (11,122)                     | (7,820)          |
| Other income, net  | 2,181                          | 346               | 2,363                        | 506              |
| <b>Income before provision for income taxes</b>              | <b>9,873</b>                   | <b>7,417</b>      | <b>6,917</b>                 | <b>21,641</b>    |
| Income tax provision (benefit)                               | 2,733                          | 825               | 899                          | (2,702)          |
| <b>Net income</b>  | <b>\$ 7,140</b>                | <b>\$ 6,592</b>   | <b>\$ 6,018</b>              | <b>\$ 24,343</b> |
| <b>Earnings per share</b>                                    |                                |                   |                              |                  |
| Basic  | \$ 0.15                        | \$ 0.14           | \$ 0.13                      | \$ 0.52          |
| Diluted  | \$ 0.15                        | \$ 0.14           | \$ 0.13                      | \$ 0.51          |
| <b>Common shares and equivalents outstanding</b>             |                                |                   |                              |                  |
| Basic weighted average shares                                | 47,714,621                     | 47,222,657        | 47,622,740                   | 47,121,692       |
| Diluted weighted average shares                              | 48,160,684                     | 48,053,094        | 48,101,212                   | 48,030,547       |
| <b>Other comprehensive (loss) income</b>                     |                                |                   |                              |                  |
| Foreign currency translation adjustment                      | (6,018)                        | (8,817)           | (1,428)                      | (2,380)          |
| Unrealized (loss) gain on derivative instruments, net of tax | (1,939)                        | 765               | (2,871)                      | 1,844            |
| <b>Total other comprehensive loss</b>                        | <b>(7,957)</b>                 | <b>(8,052)</b>    | <b>(4,299)</b>               | <b>(536)</b>     |
| <b>Comprehensive (loss) income</b>                           | <b>\$ (817)</b>                | <b>\$ (1,460)</b> | <b>\$ 1,719</b>              | <b>\$ 23,807</b> |

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

| (dollars in thousands)  | Six months ended<br>June 30, |                   |
|---|------------------------------|-------------------|
|   | 2019                         | 2018              |
| <b>Cash flows from operating activities</b>   |                              |                   |
| Net income  | \$ 6,018                     | \$ 24,343         |
| Adjustments to reconcile net income to net cash provided by operating activities:           |                              |                   |
| Depreciation and amortization   | 43,113                       | 39,847            |
| Provision for doubtful accounts and sales returns   | 4,646                        | 3,697             |
| Stock-based compensation expense  | 28,755                       | 24,953            |
| Deferred taxes  | 465                          | 1,121             |
| Amortization of deferred financing costs and discount                                       | 376                          | 376               |
| Other non-cash adjustments  | 1,982                        | (419)             |
| Changes in operating assets and liabilities, net of acquisition and disposal of businesses: |                              |                   |
| Accounts receivable   | (45,071)                     | (38,092)          |
| Prepaid expenses and other assets   | (12,725)                     | (18,629)          |
| Trade accounts payable  | 216                          | 6,327             |
| Accrued expenses and other liabilities  | (9,014)                      | (6,675)           |
| Deferred revenue  | 26,328                       | 29,545            |
| <b>Net cash provided by operating activities</b>  | <b>45,089</b>                | <b>66,394</b>     |
| <b>Cash flows from investing activities</b>   |                              |                   |
| Purchase of property and equipment  | (6,375)                      | (9,575)           |
| Capitalized software development costs  | (23,206)                     | (16,359)          |
| Purchase of net assets of acquired companies, net of cash and restricted cash acquired      | (109,386)                    | (45,315)          |
| Other investing activities  | 500                          | —                 |
| <b>Net cash used in investing activities</b>  | <b>(138,467)</b>             | <b>(71,249)</b>   |
| <b>Cash flows from financing activities</b>   |                              |                   |
| Proceeds from issuance of debt  | 329,100                      | 173,500           |
| Payments on debt  | (155,150)                    | (132,150)         |
| Employee taxes paid for withheld shares upon equity award settlement                        | (19,760)                     | (25,184)          |
| Proceeds from exercise of stock options   | 6                            | 11                |
| Change in due to customers  | (107,808)                    | (309,189)         |
| Change in customer funds receivable   | (3,741)                      | (4,391)           |
| Dividend payments to stockholders   | (11,802)                     | (11,653)          |
| <b>Net cash provided by (used in) financing activities</b>                                  | <b>30,845</b>                | <b>(309,056)</b>  |
| Effect of exchange rate on cash, cash equivalents and restricted cash                       | (526)                        | (1,606)           |
| <b>Net decrease in cash, cash equivalents and restricted cash</b>                           | <b>(63,059)</b>              | <b>(315,517)</b>  |
| <b>Cash, cash equivalents and restricted cash, beginning of period</b>                      | <b>449,846</b>               | <b>640,174</b>    |
| <b>Cash, cash equivalents and restricted cash, end of period</b>                            | <b>\$ 386,787</b>            | <b>\$ 324,657</b> |

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown above in the consolidated statements of cash flows:

| (dollars in thousands)   | June 30,<br>2019  | December 31,<br>2018 |
|--|-------------------|----------------------|
| Cash and cash equivalents  | \$ 32,654         | \$ 30,866            |
| Restricted cash due to customers   | 354,133           | 418,980              |
| <b>Total cash, cash equivalents and restricted cash in the statement of cash flows</b> | <b>\$ 386,787</b> | <b>\$ 449,846</b>    |

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

| (dollars in thousands, except per share amounts)                 | Three months ended<br>June 30, |            | Six months ended<br>June 30, |            |
|--|--------------------------------|------------|------------------------------|------------|
|  | 2019                           | 2018       | 2019                         | 2018       |
| <b>GAAP Revenue</b>  | \$ 225,634                     | \$ 213,672 | \$ 441,464                   | \$ 417,856 |
| <b>Non-GAAP adjustments:</b>                                     |                                |            |                              |            |
| Add: Acquisition-related deferred revenue write-down             | 716                            | 919        | 1,432                        | 1,267      |
| <b>Non-GAAP revenue</b>  | \$ 226,350                     | \$ 214,591 | \$ 442,896                   | \$ 419,123 |
| <b>GAAP gross profit</b>   | \$ 124,827                     | \$ 118,500 | \$ 241,374                   | \$ 234,647 |
| <b>GAAP gross margin</b>   | 55.3 %                         | 55.5 %     | 54.7 %                       | 56.2 %     |
| <b>Non-GAAP adjustments:</b>                                     |                                |            |                              |            |
| Add: Acquisition-related deferred revenue write-down             | 716                            | 919        | 1,432                        | 1,267      |
| Add: Stock-based compensation expense                            | 791                            | 1,645      | 1,765                        | 2,740      |
| Add: Amortization of intangibles from business combinations      | 11,329                         | 10,677     | 22,745                       | 21,063     |
| Add: Employee severance  | (4)                            | 12         | 1,115                        | 587        |
| Add: Acquisition-related integration costs                       | —                              | 25         | —                            | 25         |
| Subtotal   | 12,832                         | 13,278     | 27,057                       | 25,682     |
| <b>Non-GAAP gross profit</b>                                     | \$ 137,659                     | \$ 131,778 | \$ 268,431                   | \$ 260,329 |
| <b>Non-GAAP gross margin</b>                                     | 60.8 %                         | 61.4 %     | 60.6 %                       | 62.1 %     |
| <b>GAAP income from operations</b>                               | \$ 13,491                      | \$ 11,374  | \$ 15,676                    | \$ 28,955  |
| <b>GAAP operating margin</b>                                     | 6.0 %                          | 5.3 %      | 3.6 %                        | 6.9 %      |
| <b>Non-GAAP adjustments:</b>                                     |                                |            |                              |            |
| Add: Acquisition-related deferred revenue write-down             | 716                            | 919        | 1,432                        | 1,267      |
| Add: Stock-based compensation expense                            | 15,029                         | 13,861     | 28,755                       | 24,953     |
| Add: Amortization of intangibles from business combinations      | 12,481                         | 11,878     | 25,273                       | 23,533     |
| Add: Employee severance  | 191                            | 100        | 3,612                        | 1,031      |
| Add: Acquisition-related integration costs                       | 464                            | 2,194      | 1,182                        | 2,627      |
| Add: Acquisition-related expenses                                | 365                            | 1,211      | 810                          | 1,605      |
| Add: Restructuring costs   | 730                            | 3,688      | 2,683                        | 4,499      |
| Subtotal   | 29,976                         | 33,851     | 63,747                       | 59,515     |
| <b>Non-GAAP income from operations</b>                           | \$ 43,467                      | \$ 45,225  | \$ 79,423                    | \$ 88,470  |
| <b>Non-GAAP operating margin</b>                                 | 19.2 %                         | 21.1 %     | 17.9 %                       | 21.1 %     |
| <b>GAAP income before provision for income taxes</b>             | \$ 9,873                       | \$ 7,417   | \$ 6,917                     | \$ 21,641  |
| <b>GAAP net income</b>   | \$ 7,140                       | \$ 6,592   | \$ 6,018                     | \$ 24,343  |
| Shares used in computing GAAP diluted earnings per share         | 48,160,684                     | 48,053,094 | 48,101,212                   | 48,030,547 |
| <b>GAAP diluted earnings per share</b>                           | \$ 0.15                        | \$ 0.14    | \$ 0.13                      | \$ 0.51    |
| <b>Non-GAAP adjustments:</b>                                     |                                |            |                              |            |
| Add: GAAP income tax provision (benefit)                         | 2,733                          | 825        | 899                          | (2,702)    |
| Add: Total non-GAAP adjustments affecting income from operations | 29,976                         | 33,851     | 63,747                       | 59,515     |
| <b>Non-GAAP income before provision for income taxes</b>         | 39,849                         | 41,268     | 70,664                       | 81,156     |
| Assumed non-GAAP income tax provision <sup>(1)</sup>             | 7,970                          | 8,254      | 14,133                       | 16,232     |
| <b>Non-GAAP net income</b>                                       | \$ 31,879                      | \$ 33,014  | \$ 56,531                    | \$ 64,924  |
| Shares used in computing non-GAAP diluted earnings per share     | 48,160,684                     | 48,053,094 | 48,101,212                   | 48,030,547 |
| <b>Non-GAAP diluted earnings per share</b>                       | \$ 0.66                        | \$ 0.69    | \$ 1.18                      | \$ 1.35    |

(1) Blackbaud applies a non-GAAP effective tax rate of 20.0% when calculating non-GAAP net income and non-GAAP diluted earnings per share.



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

| (dollars in thousands)  | Three months ended<br>June 30, |            | Six months ended<br>June 30, |            |
|---|--------------------------------|------------|------------------------------|------------|
|   | 2019                           | 2018       | 2019                         | 2018       |
| GAAP revenue  | \$ 225,634                     | \$ 213,672 | \$ 441,464                   | \$ 417,856 |
| <b>GAAP revenue growth</b>  | <b>5.6 %</b>                   |            | <b>5.6 %</b>                 |            |
| (Less) Add: Non-GAAP acquisition-related revenue <sup>(1)</sup>       | (4,558)                        | 1,771      | (8,944)                      | 4,485      |
| Non-GAAP organic revenue <sup>(2)</sup>                               | \$ 221,076                     | \$ 215,443 | \$ 432,520                   | \$ 422,341 |
| <b>Non-GAAP organic revenue growth</b>                                | <b>2.6 %</b>                   |            | <b>2.4 %</b>                 |            |
| Non-GAAP organic revenue <sup>(2)</sup>                               | \$ 221,076                     | \$ 215,443 | \$ 432,520                   | \$ 422,341 |
| Foreign currency impact on non-GAAP organic revenue <sup>(3)</sup>    | 2,177                          | —          | 3,956                        | —          |
| Non-GAAP organic revenue on constant currency basis <sup>(3)</sup>    | \$ 223,253                     | \$ 215,443 | \$ 436,476                   | \$ 422,341 |
| <b>Non-GAAP organic revenue growth on constant<br/>currency basis</b> | <b>3.6 %</b>                   |            | <b>3.3 %</b>                 |            |
| GAAP recurring revenue  | \$ 208,468                     | \$ 192,749 | \$ 406,562                   | \$ 373,595 |
| <b>GAAP recurring revenue growth</b>                                  | <b>8.2 %</b>                   |            | <b>8.8 %</b>                 |            |
| (Less) Add: Non-GAAP acquisition-related revenue <sup>(1)</sup>       | (4,298)                        | 1,717      | (8,473)                      | 4,316      |
| Non-GAAP organic recurring revenue                                    | \$ 204,170                     | \$ 194,466 | \$ 398,089                   | \$ 377,911 |
| <b>Non-GAAP organic recurring revenue growth</b>                      | <b>5.0 %</b>                   |            | <b>5.3 %</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 prior period's quarterly weighted average foreign currency exchange rates. The primary foreign currencies creating the impact are the Canadian Dollar, EURO, British Pound and Australian Dollar.

| (dollars in thousands)                                | Six months ended<br>June 30, |           |
|---|------------------------------|-----------|
|   | 2019                         | 2018      |
| <b>GAAP net cash provided by operating activities</b> | \$ 45,089                    | \$ 66,394 |
| Less: purchase of property and equipment              | (6,375)                      | (9,575)   |
| Less: capitalized software development costs          | (23,206)                     | (16,359)  |
| <b>Non-GAAP free cash flow</b>                        | \$ 15,508                    | \$ 40,460 |