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PRESENTATION

Operator

Ladies and gentlemen, good morning, and welcome to the Blackbaud's First Quarter 2024 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Kevin Mooney, EVP, Corporate Strategy and Business Development. Please go ahead, sir.

Kevin W. Mooney ***Blackbaud, Inc. - Executive VP of Strategy & Business Development***

Good morning, everyone. Thank you for joining us on Blackbaud's First Quarter 2024 Earnings Call. Joining me on the call today are Mike Gianoni, Blackbaud's CEO, President and Vice Chairman; and Tony Boor, Blackbaud's Executive Vice President and CFO. Mike and Tony will make prepared comments and then we'll open up the line for your questions.

Please note that our comments today contain forward-looking statements subject to risks and uncertainties that could cause actual results to differ materially from those projected. Please refer to our most recent Form 10-K and other SEC filings for more information on those risks.

The discussion today will focus on non-GAAP results. Please refer to our press release and the investor materials posted to our website for the full details on our financial performance, including GAAP results as well as full year guidance.

We believe that a combination of both GAAP and non-GAAP measures are more representative of how we internally measure our business. Unless otherwise specified, we will refer only to non-GAAP financial measures on this call. Please note that non-GAAP financial measures should not be considered in isolation from or as a substitute for GAAP measures. Before I turn the call over to Mike, I'd like to mention that notice of our 2024 Annual Meeting of Stockholders and proxy statement were filed on April 23, and our annual meeting materials were posted to our Investor Relations website that same day.

With that, I'll turn the call over to you, Mike.

Michael P. Gianoni ***Blackbaud, Inc. - President, CEO & Vice Chairman of the Board***

Thank you, Kevin. Thank you for joining our call today. I would just like to quickly start with a comment on the Clear Lake proposal. To be clear, the Blackbaud's Board and management team are 100% committed to maximizing shareholder value, execution on our 5-point operating plan has redefined the trajectory of the company and is fueling positive operating and financial performance and substantial free cash flow. We are confident in Blackbaud's strategy and ability to deliver significant value. The Board is continuing to review Clear Lake's proposal with this in mind. We'll provide an update to the market in due course.

Now turning to the operations of the business. I'd like to cover 3 primary topics today: one, our continued execution on the company's 5-point operating plan and the strong performance we're delivering as a result; two, our current thinking with respect to select elements of our portfolio; and three, an update on our progress with respect to the company's capital return program.

As we've discussed in the past few quarters, we're very focused on our 5-point operating plan to improve product innovation, accelerate bookings growth, optimize transactional revenue, modernize contract renewals and improved cost management.

The team has been executing against this program and it has transformed the financial performance of the company. Over the past year alone, we have delivered adjusted EBITDA growth of 25%, non-GAAP EPS growth of 28% and adjusted free cash flow growth of 240% year-over-year in the first quarter.

Strong performance across the business in the first quarter reinforces our confidence. We grew the top line, expanded adjusted EBITDA margins and generated significant free cash flow, which is enabling both substantial capital returns to shareholders and investments that drive product delivery and innovation for customers and fortify our industry leadership.

Blackbaud is a much stronger company than it was just 1 year ago and remains the clear market leader in the social impact software market. We believe that we are well positioned for the future and our goal of achieving the Rule of 40 for the full year.

As you'll recall, we achieved rule of 40 one quarter ahead of expectations. We expect to deliver Rule of 40 for the full year in 2024, a more than 300 basis point improvement over 2023.

Now I'd like to turn our attention to the team's fantastic product innovation and feature delivery that was rolled out this quarter. The team has been busy. The pace of innovation is accelerating and customers are enthusiastic about what we're offering.

Our focus has been on 2 areas: specifically, generative AI and enhancements that continue to improve the connectivity of our suite of solutions. These enhancements are aimed at improving fundraising outcomes while reducing the administrative burden of our end users. As discussed previously, we've released a number of AI capabilities over the past few quarters, including new GenAI functionality for our JustGiving platform. This quarter, we rolled out GenAI capabilities for Raiser's Edge NXT and before long, Blackbaud Copilot will be available to our Raiser's Edge NXT customers.

Using Blackbaud Copilot, users can ask ad-hoc questions such as, how can I improve my average donation size? And the tool will provide intelligent responses as well as recommended actions to drive that outcome. This past quarter, our online giving and prospect insights capabilities were natively integrated into Raiser's Edge NXT. With these integrations, fundraising administrators can now drive a viral giving campaign, keep records of each donor interaction, identify new donation opportunities and provide personalized messaging all in one integrated experience. And finally, last quarter, I mentioned our new optimized Blackbaud donation forms were coming to Raiser's Edge NXT. As of this quarter, we have a few hundred customers signed up and running with nearly 1,000 more experimenting. It's early days, but we expect these forms to drive higher revenue for our customers and for Blackbaud.

We include these exciting new features in our products at no additional cost to increase the value our customers receive from their existing subscription. We are delivering more innovation evolving our products and ensuring our customers receive more value from our solutions.

Now on to another element of our 5-point operating plan, bookings growth and acceleration. I'd like to highlight several interesting customer wins in the quarter that illustrate not only what customers want, but our unique ability to serve this demand as the market leader with the most comprehensive and purpose-built solution set in the industry.

Five cities homeless coalition based in Grover Beach, California helps families and individuals by providing the housing resources and support they need to become self-sufficient, productive community members, which started out as a simple replacement of its financial management tool became a multi-solution sale but also included fundraising and payment processing. By signing on a Blackbaud Five cities can now streamline their financial operations and reporting and focus on expanding the fundraising to meet the needs of the community they serve.

Another win in the quarter in a new logo was Carl Sander College which serves the educational needs of Western and Central Illinois. They were looking for a system that could run fundraising, accounting and scholarship management with a long-term goal of increasing student enrollment.

Blackbaud was uniquely positioned to provide this suite of offerings in one simple platform. And also during the quarter, we upgraded the National Coast Guard Museum to a new solution. The organization is in the ground-breaking phase of the brand new museum slated to open in 2026 on the waterfront of New London, Connecticut.

In preparation for their opening, the museum selected Blackbaud's purpose-built solution for general admission organizations, Altru. This was an upgrade on their current Blackbaud solution, which was instrumental in the initial campaign phase and illustrates our commitment to helping organizations through the full life cycle of their operational and fundraising needs.

Now I'll discuss how we're thinking about our portfolio. After careful evaluation, we decided to divest EVERFI's creative agency services business in the U.K. This business was not a strategic fit for the company, and the revenue was onetime in nature. We continuously evaluate our product portfolio to ensure we're driving profitable growth and shareholder value.

Turning to an update on our stock repurchase program. The significant adjusted free cash flow growth we delivered in 2023 is continuing in 2024. Even though the first quarter tends to be a seasonal low for adjusted EBITDA, our adjusted free cash flow was up $38 million year-over-year, which demonstrates the leverage of our business model.

Our strong cash production, together with capacity on our credit facility, allowed us to make a healthy start on our share repurchase program. As you will recall, we have committed to repurchasing between 7% to 10% of outstanding stock in 2024 and we are well on our way to doing just that.

During the quarter, we executed and funded a $200 million accelerated share repurchase agreement. Together with open market purchases, the company bought back nearly 3 million shares this quarter, which represents approximately 5.5% of our outstanding common stock as of year-end 2023.

We believe stock repurchases at current prices represent a good return to our shareholders. So it's been an active and successful quarter on many fronts. I'm excited about the progress we've made in the first quarter. The team is hard at work across the business, innovating in our product offerings increasing operational efficiency and taking our message to the market that Blackbaud offers intelligent, impactful and flexible tools to help customers thrive.

With that, I'd like to turn the call over to Tony.

Anthony W. Boor ***Blackbaud, Inc. - Executive VP of Finance & Administration and CFO***

Thanks, Mike. Our business has undergone a significant financial and business transformation over the past year. Our 5-point operating plan has enabled us to accelerate recurring revenue growth into the high single digits, while dramatically improving our profitability, as Mike discussed. And our strong balance sheet has allowed us to begin returning capital to our investors in the form of stock repurchases.

Looking to the future, we believe we can deliver long-term profitable growth and shareholder value as we build on Blackbaud's market-leading position. With that, I'd like to go a bit deeper into our first quarter financial results and share more color on the drivers of this performance. Total revenue was $279 million and was up 6.9% on an organic basis from the first quarter of 2023. The social sector performed well with revenue growth approaching 9%. Within the social sector, our contractual recurring revenues were $160 million in the quarter, representing 10% growth year-over-year.

This area of the business is our largest revenue contributor and continues to ramp as the benefits from our modernized contract renewal initiatives take hold.

Transactional recurring revenue in the social sector was $78 million and up 7.5% for the quarter. The corporate sector, which represented 13% of total revenue in the quarter, declined 5.5%. As we previously disclosed, we expect revenue in the corporate sector to decline for the full year 2024. This decline is solely driven by EVERFI as our YourCause product continues to perform well. EVERFI has faced macro headwinds in the form of tightening corporate CSR budgets, especially in the financial services market where EVERFI has a significant position. We are working on plans for EVERFI to ensure it contributes to shareholder value.

Part of this work led us to divest the nonrecurring services business in the U.K., as Mike mentioned. We determined this was not a strategic fit for our business, and we will continue to examine opportunities to align our profitable growth and value-creation objectives.

Our nonstrategic onetime revenue represented less than 3% of total revenue in the quarter and it was about a 0.5-point drag on our total revenue growth rate. Overall, our revenue growth programs, which include bookings acceleration, transactional revenue optimization and a modernized approach to renewal contracts are going well. For the full year, we expect approximately half of our growth to come from bookings and transactions with the other half coming as a result of our modernized renewal contract initiative.

Our modernized contract initiative will continue beyond the initial 3-year renewal cycle creating a sustainable source of long-term revenue growth. We continue to make progress on our profitability initiatives by also investing in strategic growth. Our total costs were down $1 million compared to last year and adjusted EBITDA was $89 million in the quarter, up from $71 million in Q1 of 2023. Adjusted EBITDA margin was a solid 31.8%, up from 27.2% a year ago. As a reminder, the first quarter tends to be the seasonal low point for EBITDA in our fiscal year.

Our adjusted free cash flow of $53 million was exceptionally strong this quarter, up $38 million year-over-year and demonstrates the leverage of our business model. Using the strength of our balance sheet, we've been very active buying back stock, both with the ASR and in the open market. We fully funded the $200 million to ASR in the first quarter using the available capacity on our existing debt facility and cash.

The ASR had an initial delivery of 2.1 million shares and the final share count will be dependent upon stock price variability between now and the end of the program, which will be complete by the fourth quarter.

Since we began the buyback program in December of last year, we have now bought back a total of 3.2 million shares. Speaking of capital allocation and cash flow, we have a good amount of financial flexibility and just consummated a new 5-year credit facility with a total commitment of $1.5 billion, which is $400 million higher than the $1.1 billion facility it replaced.

Our target debt-to-adjusted EBITDA ratio is approximately 2x, and we ended the first quarter at about 2.7x. Due to the stock repurchase program and the divestiture of the EVERFI U.K. business this past quarter, we are updating our financial guidance for the full year to reflect these 2 transactions.

This guidance merely reflects a $6 million revenue reduction from the divestiture, which we expect to modestly improve our organic growth rate for the year to 7.4% at the midpoint as well as a lower share count and higher interest expense associated with stock repurchase activity.

Specifically, we now see revenue in the range of $1.164 billion to $1.194 billion. And then due to the recent stock repurchase activity, we have decreased our fully diluted share count range to 52 million to 53 million shares and increased our interest expense range to $48 million to $52 million.

Our full year guidance ranges for adjusted EBITDA margin and adjusted free cash flow are unchanged. Again, these updates are from the strategic transactions of the first quarter only, and there is no change to our full year guidance stemming from the operations of the business.

As Mike said, we're off to a good start for '24 with a disciplined focus on managing costs while also investing strategically and enhancing our market-leading products for our customers. The work we've done around our 5-point operating plan has resulted in improved financial results, and we're focused on providing enhanced value to our customers and our shareholders.

With that, let's open up the line for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from the line of Rob Oliver with Baird.

Robert Cooney Oliver ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Great. The first one is just on the EVERFI asset spin-off and then on EVERFI more broadly, I would be curious to know what it was about that asset in particular? I think you guys said it was U.K. only that -- that drove the decision to divest if there's any impact on EVERFI broadly?

And then I'd love to just hear about EVERFI broadly, how it did this quarter? If there's any churn in the business at all? And then I had a quick follow-up.

Michael P. Gianoni ***Blackbaud, Inc. - President, CEO & Vice Chairman of the Board***

Sure. Rob, it's Mike. Yes, the EVERFI U.K. business just wasn't a strategic fit for us. It's a nice small business, but it's not a reoccurring revenue business, it's a onetime project type business, which is really more like a creative services business and not a software ARR business.

So it really wasn't a fit given who Blackbaud is. So we decided -- started this work a while ago and closed on the divestiture of that.

As you can imagine, there's more work going on related to EVERFI. I'll also remind you, EVERFI is a subset of the corporate impact side of Blackbaud. The other major component is YourCause, which is actually doing pretty well. And so that's the reasoning behind the divestiture in the U.K., and it was all the U.K. revenue.

Robert Cooney Oliver ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Okay. Great, Mike. And then, Tony, just any color around some of the cost levers? I mean, it looks like interest expense is now higher for you guys, but EBITDA margin and free cash flow numbers were reiterated. So I just would love any color around those levers that you have and can or are pulling.

Anthony W. Boor ***Blackbaud, Inc. - Executive VP of Finance & Administration and CFO***

Yes. Thanks, Rob. We're still continuing to push on costs as you're aware, you can see that in the profitability and then the free cash flow for the quarter. So we've done a great job, I think, on that front, with all the work we did in '22 and '23.

We're starting to see the fruit borne on those efforts. We're going to continue to focus on trying to run the business with something close to our existing headcount. So that should help with the leverage perspective going forward.

We still have a couple of data centers we need to exit. We've still got some duplicative costs on those fronts. So we've got some -- still some long-term benefits we should see coming through COGS on those fronts.

And then again, I think our new approach, modernized approach to these contracts should drive improved growth on the top line that also falls through at a good clip to the bottom line.

So I expect -- I know we haven't given any guidance beyond '24, but we'd expect to see us continue to gain leverage on the bottom line and from a free cash flow perspective going forward.

Robert Cooney Oliver ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Great. Excellent.

Operator

Our next question is from Brian Peterson with Raymond James.

Brian Christopher Peterson ***Raymond James & Associates, Inc., Research Division - MD***

Tony, I appreciate the disclosure on the revenue segments between the transaction recurring.

But maybe just a follow-up to Rob's question. As we think about the corporate opportunity, obviously, it's very large. You saw the divestiture. I guess I'm just curious, what's your investment posture in terms of product and go-to-market in that part of the segment right now, even though it's a big opportunity? Just curious where that risk versus some of the stuff on the social side.

Michael P. Gianoni ***Blackbaud, Inc. - President, CEO & Vice Chairman of the Board***

Yes, I could take that. We've got -- on the corporate side, again, the 2 primary platforms are the EVERFI and the YourCause. We have engineering investments and innovation investments going on there on both sides of the business.

So for example, YourCause, we've added several capabilities there, recently, including more international capabilities for larger global customers. On the EVERFI side, we keep focused on the K-12 space and there's innovation going on there. And there's also an operating improvement plan underway on EVERFI, as you might imagine, the U.K. divestiture was just one part of it that has since become public and more to do there.

So, it is a big opportunity. We have a really unique asset in the K-12 network we have with EVERFI in over 25,000 schools, but again, focused on an operating improvement plan with that business and a growth plan for YourCause.

Brian Christopher Peterson ***Raymond James & Associates, Inc., Research Division - MD***

Understood. And Mike, I'd love to get an update on the demand environment or net new business perspective for the social sector. Anything on the pipeline, deal cycles? What are you guys seeing there?

Michael P. Gianoni ***Blackbaud, Inc. - President, CEO & Vice Chairman of the Board***

Yes, sure. So deal cycles really haven't changed that much. The demand side is still good. We keep expanding, for example, in the K-12 space. We're doing really well.

You heard in my prepared remarks, a lot of innovation going on with AI and other capabilities like our new donation forms in the Raiser' Edge NXT space. So we keep driving a lot of innovation there.

We have -- most of our customers are signing 3-year contracts as we talk about. And so we feel like we need to keep driving a lot of innovation just to continue to earn the business, to move customers to 3-year contracts and that's all really gone quite well.

We've had new innovation announcements and JustGiving platform in the last year, including generative AI new capabilities that are in production there. So you see a lot of innovation across the social sector in the different markets and platforms that we're in.

Brian Christopher Peterson ***Raymond James & Associates, Inc., Research Division - MD***

Good to hear.

Operator

Our next question is from the line of Matt VanVliet with BTIG.

Matthew David VanVliet ***BTIG, LLC, Research Division - Director & Application Software Analyst***

Yes. Great. I guess on the last point, when you talked about a lot of the success in the K-12 market, maybe -- can you break it down a little bit in terms of how much is signing new schools versus selling more products into the existing customer base as you made a lot of those innovations?

Michael P. Gianoni ***Blackbaud, Inc. - President, CEO & Vice Chairman of the Board***

Yes, sure. So we have our -- our sales teams are focused on new logos and cross-selling and those are different teams. And there's a lot of that happening in K-12.

So there's a lot of upside in just net new logos there. And because we have a big portfolio in the K-12 market, there's a lot of upside and the cross-sell, because we cover pretty much the whole IT spend of a school, almost from running their financials to fundraising to tuition management to student enrollment and classroom scheduling and student information system.

So we cover quite a bit there, have a pretty big footprint. It's a fast-growing part of our business. We've got good leadership there, good innovation. We've got a lot of partners in that space, too, that sort of our gap fillers and services type relationships in that marketplace as well. Big presence in the conferences there and a really good reputation in that private school K-12 space.

Matthew David VanVliet ***BTIG, LLC, Research Division - Director & Application Software Analyst***

All right. Very helpful. And then I guess, looking at with the extension or the expansion of the credit facility and the fact that you've already generated such strong free cash flow here, what's the update on the M&A strategy going forward?

This is the first time we've seen you sort of divest anything in a little while. So just curious on how you're feeling about the current portfolio and maybe what areas might be targets for new M&A deals?

Michael P. Gianoni ***Blackbaud, Inc. - President, CEO & Vice Chairman of the Board***

Yes, sure. So there's still a lot of activity in our space in M&A. We get a lot of inbound inquiries just given our history of M&A and our footprint in the space.

In our social sector, there are still gaps we could fill without going far field where we currently play. So near adjacencies are out there. In a lot of cases, we don't serve the smaller market. We're pretty much in the mid-tier to enterprise market in the fundraising space.

And so there's still a lot of smaller cloud software companies out there that are typically founder-led private companies, probably VC-funded. So there's still a part of it out there that could represent opportunities.

We're not looking to do any large deals. We're really focused on our stock buyback program. As you know, in returning capital to that way to shareholders. But we're still active in looking at opportunities in the space.

And most of the things we look at, we walk away from, frankly, for lots of different reasons, but there's still plenty to do there.

Operator

Our next question is from the line of Parker Lane with Stifel.

Jeffrey Parker Lane ***Stifel, Nicolaus & Company, Incorporated, Research Division - Associate***

Mike, as you guys have worked through the 2023 and 2024 cohorts of customers that are facing the new renewal pricing, has that limited the ability or willingness to cross-sell or upsell on their behalf? Or are you seeing pretty normal trends relative to what you had before?

Michael P. Gianoni ***Blackbaud, Inc. - President, CEO & Vice Chairman of the Board***

Yes. No, it has not limited opportunities. It's provided -- provided a lot of opportunities for discussion around that with the contracts opening up. So it's not really changed our ability to cross-sell. It's created a lot of discussion opportunities to cross-sell and sort of represent our portfolio to our customer base.

We have a big focus on cross-selling across all our markets, and we've got upside in the transaction side of the business to cross-sell those platforms, the tuition management and what we call BBMS into our existing base.

There's a lot of white space in our existing base to cross-sell those platforms. So, the contract renewals and the move to 3-year contracts hasn't had an impact -- a negative impact on that at all. I think it's been a positive impact because we're talking about longer-term contracts and looking at customer problems that we could solve with our portfolio.

Jeffrey Parker Lane ***Stifel, Nicolaus & Company, Incorporated, Research Division - Associate***

Got it. Understood. And then one may be for you, Tony. Mike was talking about a lot of generative AI enhancements coming to the platform, particularly Copilot for Raiser's Edge NXT.

I don't believe you guys said you're looking to drive additional revenue with these solutions. So I was just wondering if there would be any impact to the cost structure from supporting these generative AI features in your core solutions.

Anthony W. Boor ***Blackbaud, Inc. - Executive VP of Finance & Administration and CFO***

Yes, Parker, good question. Those costs of the development work that we've been doing are already in the numbers you're seeing. And so we've been able to expand margins and cash flow pretty significantly inclusive of the investments.

We started making those investments depending on the front, at least a couple of years ago, some -- last year as well, and those have been ramping.

Our EBITDA and free cash flow performance is also very strong and consider we've got that incremental cyber spend that starts ramping late last year continues to ramp through this year.

Overall, the performance is just really strong. We feel really good about the free cash flow. We were able to hold the guide despite about a $14 million increase in interest expense for the year associated with the buyback. So overall business, I think, is managing the cost structure side very well.

The other side of this, keep in mind, well, many of these new enhancements will be included at no incremental charge within the product, as Mike said, so that we continue to drive value. There are some that are incremental. So when you think like the donation forms and the complete cover models and those things, those of we've spoken about before a win-wins for our customers and for us because it means incremental revenue for our customer and incremental revenue for Blackbaud as well without a price increase.

So there's going to be some interesting benefits as those take hold. The complete cover models are probably more so '25 and forward. We're starting to roll those out, as you know now, but it will take a while to get those adopted across the customer set.

Operator

Our next question is from the line of Kirk Materne with Evercore ISI.

Kirk Materne ***Evercore ISI Institutional Equities, Research Division - Senior MD & Fundamental Research Analyst***

Congrats on a good start, guys. Mike, I was wondering if you could just talk about sort of the EVERFI. I know you have a corporate sort of an operational improvement plan.

Is the demand environment something that you can control right now? Or is it just corporate budgets for spending on services like EVERFI? Or just tight and you're sort of at the mercy of that?

I'm just trying to get a sense if we're getting closer to a bottom potentially in sort of the drag or how are you thinking about sort of the 6- to 12-month view from a growth perspective there?

Michael P. Gianoni ***Blackbaud, Inc. - President, CEO & Vice Chairman of the Board***

Yes. There's still lots of interest in corporations funding what we view with EVERFI in K-12 schools. And we've announced some expansions in my prepared remarks in previous quarters.

And so the corporate social responsibility budgets are still there in, say, the Fortune 500. It's just where they deploy those budgets. So the pressure we've seen has predominantly been in the financial services space starting last year.

But the demand is still there and the interest is still there. And what's interesting about the K-12 network we have, we bring that network and our reach and that capability to customers and prospective customers.

And there's a lot of interest at the CEO level of Fortune 500 companies and Board level given the investments they do. The bigger footprint is in financial services and they're required to get back with the Community Reinvestment Act.

So it's a regulatory requirement. And so we're still a platform that is of interest there. There's some shifts that happened in the last year which caused a drag on the business. But we've got an operating plan underway across the EVERFI business.

We have an outstanding reputation. I've met a lot of customers in the last couple of years, and they are very enamored with what EVERFI has built and delivers. There's never been a question related to that. It has been more around where the CSR spend has been.

But we have a big footprint in financial services. We've got more opportunities there to grow the business with big customers and we're operating internally on a plan to make sure that business adds to shareholder value.

Exiting the U.K. was a part of that. Our organic growth went up because we divested the U.K. business, for example. It's a small business related to Blackbaud, but much higher percentage related to EVERFI when you think of EVERFI as a subset of the corporate impact revenue, right?

So EVERFI will grow more just because we exited the U.K. business, and there's more to come on operating improvements in EVERFI.

Kirk Materne ***Evercore ISI Institutional Equities, Research Division - Senior MD & Fundamental Research Analyst***

And then just, Tony, one quick one for you. In your presentation, you obviously called out this year in transactional recurring, it's a tougher comp.

Is there anything we should keep in mind from just a seasonality perspective along those lines? Meaning when you think about the global events last year, were there any quarters that we should just be thinking about that will have a bigger impact on growth this year from a comp perspective?

Anthony W. Boor ***Blackbaud, Inc. - Executive VP of Finance & Administration and CFO***

Yes. Thanks, Kirk. That's a really good question. There is typical seasonality, as everybody is aware, on the transaction side of the business.

Typically, the back half of the year, we do have some in Q2 as well with some of the efforts around the schools and the school years and so forth. But certainly, Q3 and Q4, we have a lot of transactional. The end-of-year giving, Giving Tuesday, those kinds of things, typically will drive seasonality in the business.

The difficult part for us to forecast and predict both from a cost and timing and length of 10-year is the viral events that happened because of major events in the world.

Last year, to your point, we had quite a bit of impact -- positive impact in the back half. We spoke of that quite a bit on last quarter's call. We ended up, that transaction business normally has a growth CAGR of somewhere in the 7% to 8% range per year over the last few years.

Last year, on the social impact side, I think we came in at about 11% or 12%, and that was largely driven by these -- we had more viral events and they were larger, longer-term viral events than what we had seen in recent years.

And so it's tough to predict. We typically don't build those into our forecast. It's going to make a tough compare this year because right now, based upon forecast, we're not assuming any of those, but not to say we won't have some viral events. Typically, we have 1 or 2 a year. We just can't tell when that will happen. So that will be the wildcard for us this year.

Michael P. Gianoni ***Blackbaud, Inc. - President, CEO & Vice Chairman of the Board***

Yes. So there's some variances by quarter. We just did a press release, for example, on the London Marathon and fundraising on our JustGiving platform, which had a lot of great growth. That just happened in April. So it's in Q2.

But I think some of the stats there were 18,000 fundraisers raised money for 1,700 nonprofits, and it was a really nice growth year-over-year. Those kind of things are hard to predict how they would come out.

So the growth of those organically are sometimes hard to predict. And also sometimes, some of those move from quarter-to-quarter as well, and you don't know about it until 3 or 6 months ahead of time. So it causes some variability quarter-to-quarter.

Operator

Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to Mike Gianoni, our Chief Executive Officer, for his closing comments.

Michael P. Gianoni ***Blackbaud, Inc. - President, CEO & Vice Chairman of the Board***

Thank you, operator. Everyone, when I reflect back on the past year, there are many aspects of our business that are far improved year-over-year.

Our pace of innovation has really increased. Our modernized approach to contract renewals is now well established, and the majority of our customers are adopting the 3-year renewal terms, which is great.

On the profitability side, our efficiency has increased and margins are expanding. We've generated strong adjusted cash flow. We're actively returning capital to our investors through stock repurchases. Our financial results have improved significantly over the past year, and we expect improvement to continue in 2024.

As we progress through this year, our focus is maintaining good momentum in the business, executing improvement plans were needed, continuing to deliver strong financial results in world-class solutions for customers. Thanks, everyone.

Operator

Thank you. The conference of Blackbaud has now concluded. Thank you for your participation. You may now disconnect your lines.