Blackbaud Long-Term Aspirational Goals and Strategic Outlook

TICKER: BLKB

December 1, 2020

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 "expects," "anticipates," "aims," "projects," "intends," "plans," "likely," "will," "should," "believes," "estimates," "seeks," variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations expressed in this presentation include: expectations for 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, dividend policy and share repurchase program; lengthy sales and implementation cycles; technological changes that make the Company's products and services less competitive; risk related to the adequacy of our data security procedures and the consequences of data security incidents; the implementation of our new global enterprise resource planning system; uncertainty regarding the COVID-19 disruption; potential legal proceedings involving the Company 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.

Historical Financials and Non-GAAP Financial Measures

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

Blackbaud discusses non-GAAP organic revenue growth, which Blackbaud believes provides useful information, as a supplement to GAAP measures, for evaluating the periodic growth of its business on a consistent basis. 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, non-GAAP organic revenue growth reflects presentation of full year incremental non-GAAP revenue derived from such companies as if they were combined throughout the prior period, and it includes the current period non-GAAP revenue attributable to those companies, as if there were no acquisition-related write-downs of acquired deferred revenue to fair value as required by GAAP. In addition, 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.

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; 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.

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

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 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.

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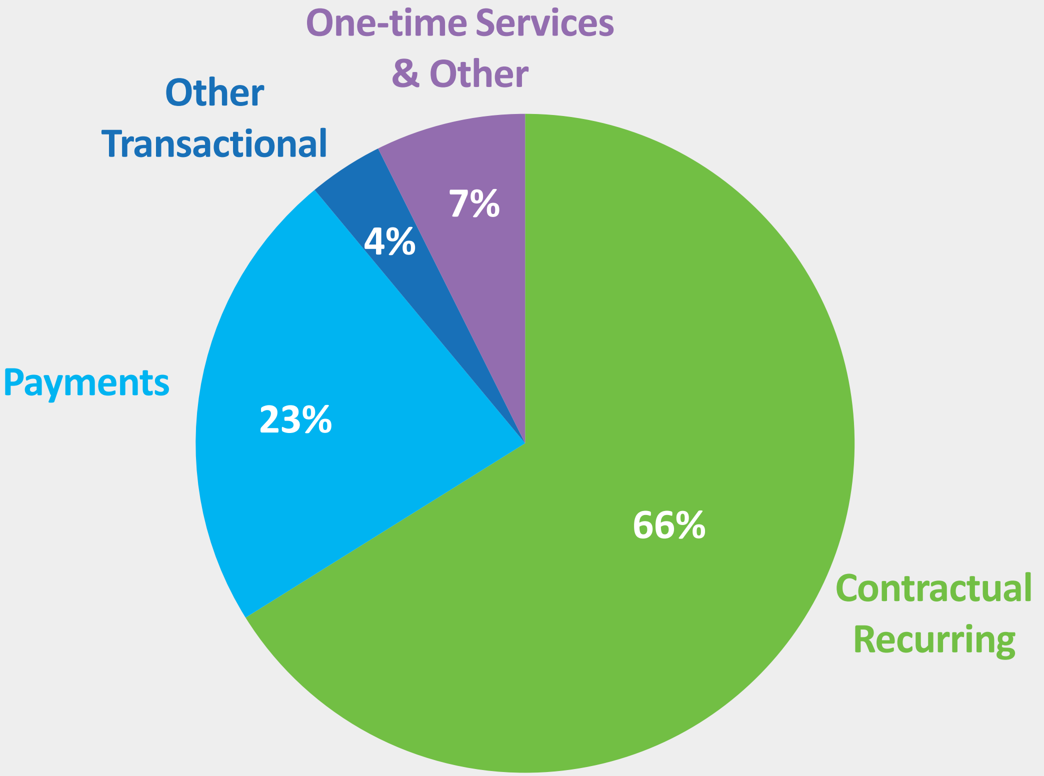
Key Messages and Table of Contents

- Contractual recurring revenue is stable and growing through third quarter 2020
- Pandemic related variability in transactional revenue is largely expected to recover quickly post-pandemic
- Executing a strategy to drive toward “Rule of 40” with sustainable revenue growth and improved profitability
- Long-term aspirational financial goals
- Deploying capital to enhance shareholder value
- Appendix

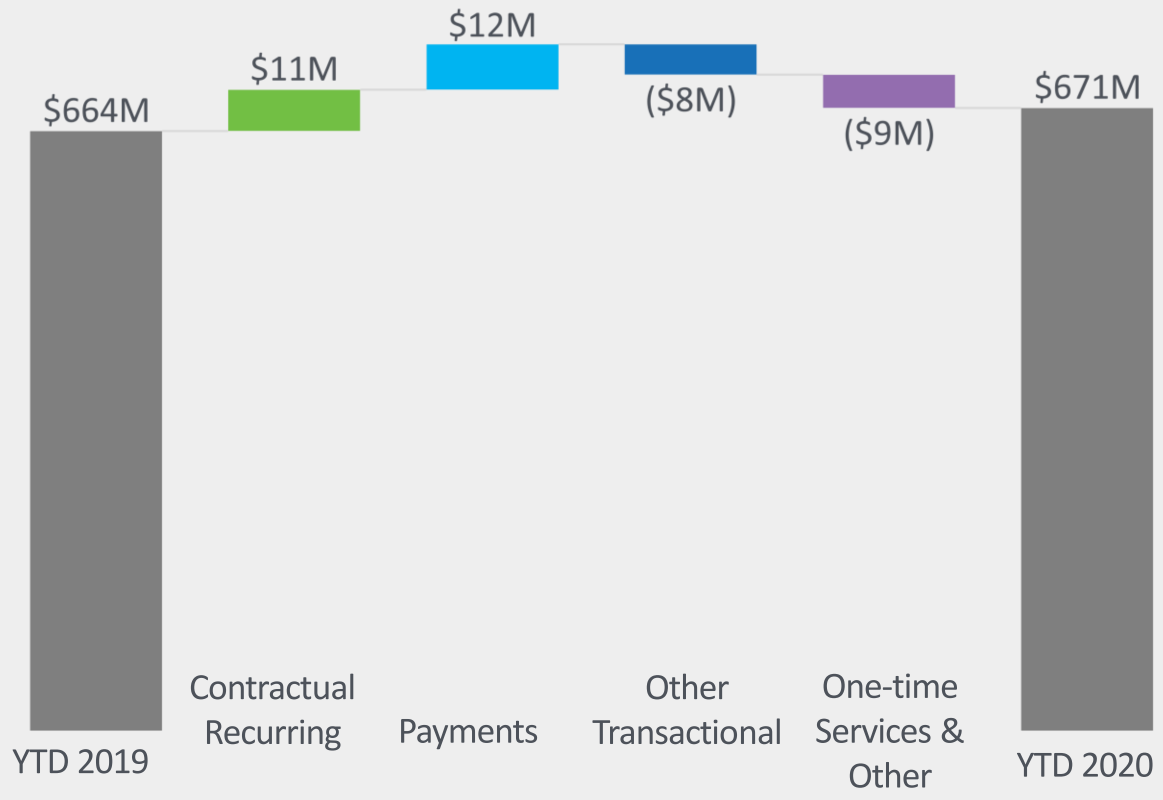
Contractual Recurring Revenue is Stable and Growing Through Third Quarter 2020

Q3 YTD 2020 Non-GAAP Revenue[1]

93% Recurring Revenue (Contractual Recurring + Payments + Other Transactional)

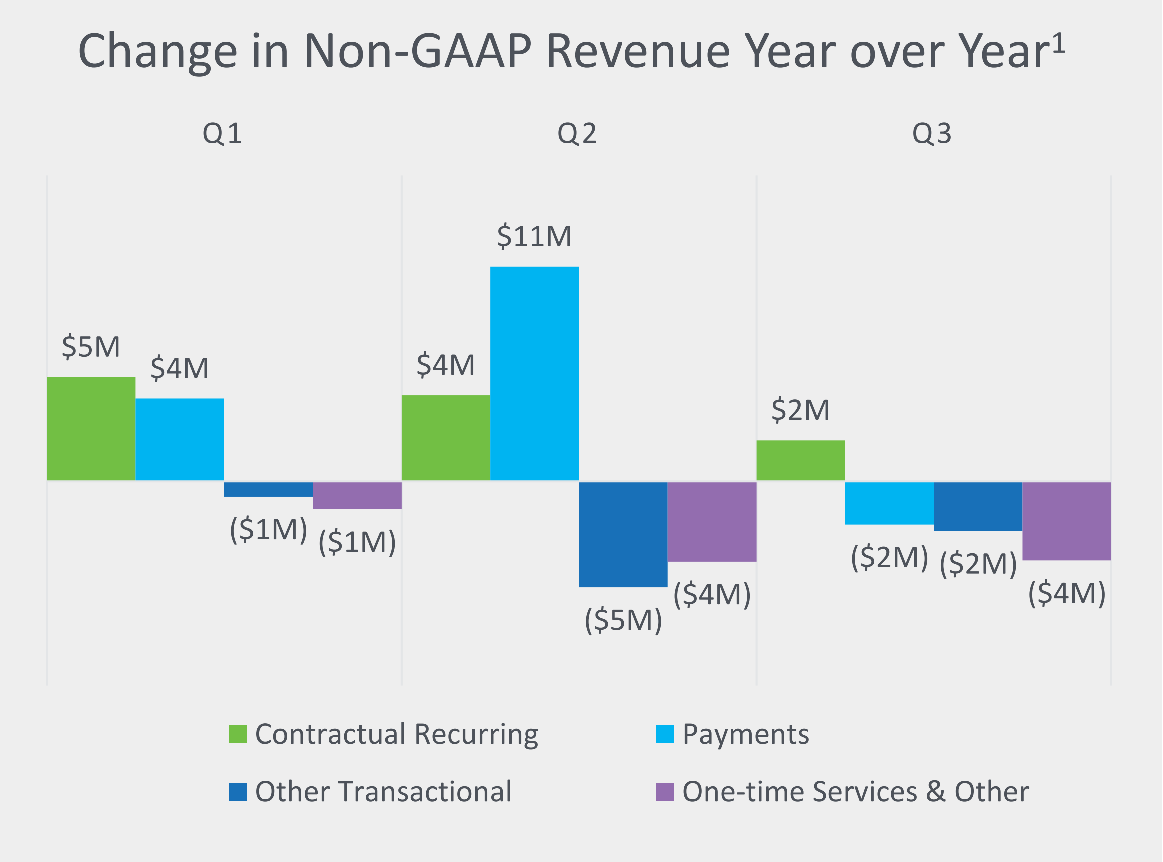


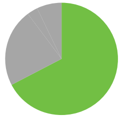
Q3 YTD 2020 Change in Non-GAAP Revenue[1]



[1] Revenue from retained and managed service contracts that we do not expect to have a term consistent with our cloud solution contracts is included in one-time services and other revenue beginning January 1, 2020. In order to provide comparability between the 2020 and 2019 periods, prior year revenue has been adjusted to reflect revenue had the change in presentation been effective January 1, 2019. Please refer to the supplemental schedule in the appendix of this presentation.

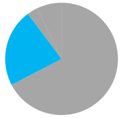
Pandemic Related Variability in Transactional Revenue is Largely Expected to Recover Quickly Post-pandemic





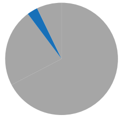
Contractual Recurring Revenue

- Customer retention has held at 92% and renewal rates have trended ahead of pre-COVID plan
- Bookings have trended below plan



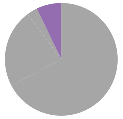
Payments Revenue

- Elevated mix shift toward online payments has largely offset pandemic related declines in volume



Other Transactional Revenue

- Usage-based transactional revenue has declined ~$8M YTD vs. 2019 due primarily to less in-person events held as a result of the pandemic



One-time Services & Other Revenue

- Consistent with prior years, declined ~16% YTD vs. 2019 after normalizing for revenue reclassified from recurring revenue to one-time services and other revenue in 2020

[1] Non-GAAP Revenue through 9/30/2020 . Revenue from retained and managed service contracts that we do not expect to have a term consistent with our cloud solution contracts is included in one-time services and other revenue beginning January 1, 2020. In order to provide comparability between the 2020 and 2019 periods, prior year revenue has been adjusted to reflect revenue had the change in presentation been effective January 1, 2019. Please refer to the supplemental schedule in the appendix of this presentation.

Executing a Strategy to Drive Toward "Rule of 40" with Sustainable Revenue Growth and Improved Profitability

Delight Our Customers

- Culture of customer centricity
- Drive value and outcomes for our customers through industry leading cloud solutions
- Accelerating product investments designed to improve quality, reduce risk, improve scale and drive agility
- Incubate future innovation
- Increase customer retention

Enhance Go-To-Market

- Reduce CAC payback period
- Optimize digital lead generation
- Offer simplification
- Increase sales velocity

Operational Scale and Efficiency

- Further optimize services model
- Continued product rationalization
- Migrate cloud infrastructure to third-party cloud service providers
- Significant reduction in real estate footprint in line with Workforce Strategy
- Continuous cost control and on-going efficiency gains

Long-Term Aspirational Financial Goals

		Near-term	Mid-term	Long-term
	FY 2019	**During Pandemic**	**3-4 Years Post-Pandemic**	**Aspirational Goal**
Non-GAAP Organic Revenue Growth	3.1%	Variable	Mid Single-Digit	Mid to High Single-Digit
Rule of 40[1]	24.5%	25%+	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.

Deploying Capital to Enhance Shareholder Value

GROWTH AND OPERATING INITIATIVES

- Capital investments consistent with solution roadmap and strategy
- Invest in operational efficiencies
- Anticipate increased cash generation in alignment with greater emphasis on profitability
- Strategic acquisitions

MAINTAIN STRONG BALANCE SHEET

- Cash balances
- Debt maintenance
- ***NEW***—Oct 2020 amended, extended and expanded credit facility to $900M
- Debt to adjusted EBITDA < 4.0x
  - Finished Q3 2020 at 2.0x

RETURN OF CAPITAL TO SHAREHOLDERS

- ***NEW***—Nov 2020 expanded share repurchase authorization by $200M
- $250M is currently authorized and available for opportunistic share repurchases

Current covenant for leverage ratio is less than or equal to 4.0x through Q3 2022, then drops to 3.75x through maturity. Effective Apr 6, 2020 our Board of Directors eliminated the payment of future quarterly cash dividends beginning with the second quarter of 2020.

Appendix

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

Nine Months Ended September 30, 2020										
(in thousands, except per share amounts)	GAAP	Acquisition-related Deferred Revenue Write-down	Stock-based Compensation Expense	Amortization of Intangibles from Business Combinations	Employee Severance	Acquisition-related Integration Costs	Acquisition-related Expenses	Restructuring and Other Real Estate Activities	Non-GAAP Adjustments Subtotal	Non-GAAP
Revenue										
Recurring	$ 621,229	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 621,229
One-time services and other	49,384	—	—	—	—	—	—	—	—	49,384
Total revenue	**670,613**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**670,613**
Cost of revenue										
Cost of recurring	265,172	—	(3,229)	(27,289)	(350)	—	—	—	(30,868)	234,304
Cost of one-time services and other	43,317	—	(3,894)	(2,546)	(463)	—	—	—	(6,903)	36,414
Total cost of revenue	**308,489**	**—**	**(7,123)**	**(29,835)**	**(813)**	**—**	**—**	**—**	**(37,771)**	**270,718**
Gross profit	**362,124**	**—**	**7,123**	**29,835**	**813**	**—**	**—**	**—**	**37,771**	**399,895**
Recurring gross margin	*57.3 %*								*5.0 %*	*62.3 %*
One-time services and other gross margin	*12.3 %*								*14.0 %*	*26.3 %*
Total Gross Margin	***54.0 %***								***5.6 %***	***59.6 %***
Operating expenses										
Sales, marketing and customer success	159,149	—	(10,085)	—	(1,901)	—	—	—	(11,986)	147,163
Research and development	72,655	—	(11,245)	—	(687)	—	—	—	(11,932)	60,723
General and administrative	89,829	—	(26,103)	—	(1,192)	118	(288)	(6,838)	(34,303)	55,526
Amortization	2,219	—	—	(2,219)	—	—	—	—	(2,219)	—
Restructuring	179	—	—	—	—	—	—	(179)	(179)	—
Total operating expenses	**324,031**	**—**	**(47,433)**	**(2,219)**	**(3,780)**	**118**	**(288)**	**(7,017)**	**(60,619)**	**263,412**
Income from operations	**38,093**	**—**	**54,556**	**32,054**	**4,593**	**(118)**	**288**	**7,017**	**98,390**	**136,483**
Total Operating Margin	***5.7 %***								***14.7 %***	***20.4 %***
Net Income	**$ 21,338**									**$ 101,341.2**
Shares used in computing diluted earnings per share	48,582									48,582
Diluted earnings per share	**$ 0.44**									**$ 2.09**

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

Nine Months Ended September 30, 2019										
(in thousands, except per share amounts)	GAAP	Acquisition-related Deferred Revenue Write-down	Stock-based Compensation Expense	Amortization of Intangibles from Business Combinations	Employee Severance	Acquisition-related Integration Costs	Acquisition-related Expenses	Restructuring and Other Real Estate Activities	Non-GAAP Adjustments Subtotal	Non-GAAP
Revenue										
Recurring	$ 611,789	$ 1,691	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,691	$ 613,480
One-time services and other	50,795	—	—	—	—	—	—	—	—	50,795
Total revenue	**662,584**	**1,691**	**—**	**—**	**—**	**—**	**—**	**—**	**1,691**	**664,275**
Cost of revenue										
Cost of recurring	259,013	—	(1,415)	(32,310)	(543)	—	—	—	(34,268)	224,745
Cost of one-time services and other	42,874	—	(1,134)	(1,660)	(591)	—	—	—	(3,385)	39,489
Total cost of revenue	**301,887**	**—**	**(2,549)**	**(33,970)**	**(1,134)**	**—**	**—**	**—**	**(37,653)**	**264,234**
Gross profit	**360,697**	**1,691**	**2,549**	**33,970**	**1,134**	**—**	**—**	**—**	**39,344**	**400,041**
Recurring gross margin	*57.7 %*								*5.7 %*	*63.4 %*
One-time services and other gross margin	*15.6 %*								*6.7 %*	*22.3 %*
Total Gross Margin	***54.4 %***								***5.8 %***	***60.2 %***
Operating expenses										
Sales, marketing and customer success	165,963	—	(8,564)	—	(890)	—	—	—	(9,454)	156,509
Research and development	80,304	—	(8,274)	—	(1,279)	—	—	—	(9,553)	70,751
General and administrative	84,557	—	(24,234)	—	(357)	(2,206)	(1,030)	—	(27,827)	56,730
Amortization	3,231	—	—	(3,231)	—	—	—	—	(3,231)	—
Restructuring	3,083	—	—	—	—	—	—	(3,083)	(3,083)	—
Total operating expenses	**337,138**	**—**	**(41,072)**	**(3,231)**	**(2,526)**	**(2,206)**	**(1,030)**	**(3,083)**	**(53,148)**	**283,990**
Income from operations	**23,559**	**1,691**	**43,621**	**37,201**	**3,660**	**2,206**	**1,030**	**3,083**	**92,492**	**116,051**
Total Operating Margin	***3.6 %***								***13.9 %***	***17.5 %***
Net Income	**$ 10,584**									**$ 83,471.2**
Shares used in computing diluted earnings per share	48,224									48,224
Diluted earnings per share	**$ 0.22**									**$ 1.73**

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

(dollars in thousands)	Years ended		Nine months ended	
	12/31/2019	12/31/2018	09/30/2020	09/30/2019
GAAP revenue	$ 900,423	$ 848,606	$ 670,613	$ 662,584
GAAP revenue growth	**6.1 %**		**1.2 %**	
Add: Non-GAAP acquisition-related revenue (1)	(20,097)	5,627		1,691
Total Non-GAAP adjustments	(20,097)	5,627	—	1,691
Non-GAAP organic revenue (2)	$ 880,326	$ 854,233	$ 670,613	$ 664,275
Non-GAAP organic revenue growth	**3.1 %**		**1.0 %**	
GAAP net income	$ 11,908	$ 44,841	$ 21,338	$ 10,584
Non-GAAP adjustments:				
Add: Interest, net	17,815	13,890	10,650	13,806
(Less) Add: Income tax (benefit) provision	(1,323)	(219)	6,948	1,263
Add: Depreciation(3)	14,979	15,928	10,860	11,273
Add: Amortization of intangibles from business combinations	50,085	47,077	32,054	37,201
Add: Amortization of software development costs	20,999	16,615	24,827	15,734
Subtotal	102,555	93,291	85,339	79,277
Non-GAAP EBITDA	$ 114,463	$ 138,132	$ 106,677	$ 89,861
Non-GAAP EBITDA Margin	**12.7 %**		**15.9 %**	
Non-GAAP adjustments:				
Add: Acquisition-related deferred revenue write-down	1,932	2,409	—	1,691
Add: Stock-based compensation expense	58,633	48,274	54,556	43,621
Add: Employee severance	4,425	2,246	4,593	3,660
Add: Acquisition-related integration costs	2,395	3,683	(118)	2,206
Add: Acquisition-related expenses	1,162	2,846	288	1,030
Add: Restructuring and other real estate activities(3)	5,808	4,590	7,017	3,083
Subtotal	74,355	64,048	66,336	55,291
Non-GAAP Adjusted EBITDA	$ 188,818	$ 202,180	$ 173,013	$ 145,152
Non-GAAP Adjusted EBITDA Margin	**21.4 %**		**25.8 %**	
Rule of 40(4)	**24.5 %**		**26.8 %**	

(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) During the third quarter of 2020, we we reduced the estimated useful lives of our operating lease right-of-use assets for certain of our office locations we expect to exit. For these same office locations, we also reduced the estimated useful lives of certain facilities-related fixed assets, which resulted in an increase in depreciation expense. The accelerated portion of the fixed asset depreciation expense related to these activities of $1.4 million for the three months ended September 30, 2020 was presented in the "Restructuring and other real estate activities" line of the historical reconciliation of GAAP to non-GAAP financial measures. Total depreciation expense for the nine months ended September 30, 2020 was $12.3 million.

(4) Rule of 40 is defined as non-GAAP organic revenue growth plus non-GAAP adjusted EBITDA margin.

Supplemental Schedule for Change in Revenue Classification

Revenue from retained and managed service contracts that we do not expect to have a term consistent with our cloud solution contracts is included in one-time services and other revenue beginning January 1, 2020. As shown below, this change in presentation resulted in decreases in recurring revenue and offsetting increases to one-time services and other revenue of $4.2 million and $12.7 million, respectively, during the three and nine months ended September 30, 2020.

In order to provide comparability between the 2020 and 2019 periods, we are providing below the amounts by which reported recurring revenue and one-time services and other revenue would have changed had the change in presentation discussed above been effective January 1, 2019.

This information is not intended as a substitute for the Company's previously reported results.

(dollars in thousands)	AS Reported (GAAP)							
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020	Q2 2020	Q3 2020
Recurring	$ 198,094	$ 208,468	$ 205,227	$ 219,820	$ 831,609	$ 204,867	$ 216,260	$ 200,102
One-time Services and Other	17,736	17,166	15,893	18,019	68,814	18,754	15,731	14,899
Total Revenue	**$ 215,830**	**$ 225,634**	**$ 221,120**	**$ 237,839**	**$ 900,423**	**$ 223,621**	**$ 231,991**	**$ 215,001**

(dollars in thousands)	Revenue Reclassification Amounts - Change in Presentation Effective 1/1/2020							
	Not Included in 2019 Amounts Above					Included in 2020 Amounts Above		
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020	Q2 2020	Q3 2020
Recurring	$ (2,376)	$ (2,490)	$ (2,871)	$ (3,871)	$ (11,608)	$ (4,258)	$ (4,249)	$ (4,224)
One-time Services and Other	2,376	2,490	2,871	3,871	11,608	4,258	4,249	4,224
Total Revenue	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**