

blackbaud[®]



Blackbaud Investor Presentation

Ticker: BLKB

October 30, 2024

Forward-looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements in this presentation consist of, among other things, statements regarding future operating results, all of which are based on current expectations, estimates, and forecasts, and the beliefs and assumptions of the Company's management. Words such as "believes," "seeks," "expects," "may," "might," "should," "intends," "could," "would," "likely," "will," "targets," "plans," "anticipates," "aims," "projects," "estimates," or any variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions that are difficult to predict. Accordingly, they should not be viewed as assurances of future performance, and actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations expressed in this presentation include: expectations for continuing to successfully execute the Company's growth and operational improvement strategies; expectations of future growth in the social good software solutions market, segments within that market and the Company's total addressable market; expectations that achieving the Company's goals will extend its competitive advantage and provide improved product quality and innovative solutions for its customers; expectations that centers of excellence and use of best-of-breed platforms will drive increasing operating efficiency and contribute to margin improvement; expectations that the Company's financial position provides flexibility to fuel future growth through acquisitions or other opportunities; expectations that past acquisitions have expanded the Company's customer and market opportunities; risks associated with unfavorable media coverage; risks associated with acquisitions; risks inherent in the expansion of our international operations; the possibility of reduced growth or amount of charitable giving; uncertainty regarding increased business and renewals from existing customers; risks associated with implementation of software products; the ability to attract and retain key personnel; risks related to the Company's leverage, credit facility and share repurchase program; lengthy sales and implementation cycles; technological changes that make the Company's products and services less competitive; risk related to the adequacy of our data security procedures and cybersecurity and data protection risks and related liabilities and potential legal proceedings involving us and uncertainty regarding existing legal proceedings and the other risk factors set forth from time to time in the Company's SEC filings. Factors that could cause or contribute to such differences include, but are not limited to, those summarized under Risk Factors in the Company's most recent annual report on Form 10-K, and any quarterly reports on Forms 10-Q thereafter, copies of which are available free of charge at the SEC's website at www.sec.gov or upon request from the Company's investor relations department. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent the Company's beliefs and assumptions only as of the date of this presentation. Except as required by law, the Company does not intend, and undertakes no obligation, to revise or update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

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Historical Financials and Non-GAAP Financial Measures

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

Blackbaud discusses non-GAAP organic revenue growth measures, including non-GAAP organic revenue growth, non-GAAP organic revenue growth on a constant currency basis, non-GAAP organic recurring revenue growth, and non-GAAP organic recurring revenue growth on a constant currency basis, which Blackbaud believes provide useful information for evaluating the periodic growth of its business as well as growth on a consistent basis. Each measure of non-GAAP organic revenue growth excludes incremental acquisition-related revenue attributable to companies acquired in the current fiscal year. For companies acquired in the immediately preceding fiscal year, if any, each measure of non-GAAP organic revenue growth reflects presentation of full year incremental non-GAAP revenue derived from such companies as if they were combined throughout the prior period, and it includes the current period non-GAAP revenue attributable to those companies. In addition, each measure of non-GAAP organic revenue growth excludes prior period revenue associated with divested businesses. The exclusion of the prior period revenue is intended to present the results of the divested businesses within the results of the combined company for the same period of time in both the prior and current periods. Blackbaud believes this presentation provides a more comparable representation of our current business' organic revenue growth and revenue run-rate. In these materials, Blackbaud is presenting the following unaudited information: historical recurring and total revenue for the three and nine month periods ended September 30, 2024, for the fiscal year ended December 31, 2023 and the interim periods therein; calculations for recurring revenue growth and total revenue growth for the nine month period ended September 30, 2024 and the interim periods therein; and calculations of non-GAAP organic revenue growth, non-GAAP organic recurring revenue growth, non-GAAP organic revenue growth on a constant currency basis and non-GAAP organic recurring revenue growth on a constant currency basis for the same periods.

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

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

Historical Financial Statements Being Presented: In these materials, Blackbaud is presenting the following unaudited historical financial information: historical consolidated balance sheets as of the fiscal year ended December 31, 2023 and interim consolidated balance sheets for each of the quarters within fiscal 2024 and 2023; historical consolidated statements of comprehensive income for the fiscal year ended December 31, 2023 and interim consolidated statements of comprehensive income for each of the quarters within fiscal 2024 and 2023; historical consolidated statements of cash flows for the fiscal year ended December 31, 2023 and interim consolidated statements of cash flows for each of the interim year-to-date periods within fiscal 2024 and 2023; and historical non-GAAP financial information for the fiscal year ended December 31, 2023 and for each of the quarters within fiscal 2024 and 2023 as well as reconciliations of the non-GAAP measures to their most directly comparable GAAP measures and related non-GAAP adjustments. Blackbaud is providing this unaudited financial information to allow investors and analysts to more easily access and review the Company's historical consolidated financial data by including such information in one document.

Reconciliation of GAAP to Non-GAAP Financial Measures: Reconciliations of the most directly comparable GAAP measures to non-GAAP financial measures and related adjustments, as well as details of Blackbaud's methodology for calculating non-GAAP organic revenue growth, non-GAAP organic revenue growth on a constant currency basis, non-GAAP organic recurring revenue growth, non-GAAP organic recurring revenue growth on a constant currency basis and Rule of 40 can be found in the Appendix to these materials and on the "Investor Relations" page of the Company's website.

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

Blackbaud Investment Pillars

Rich Market Opportunity

- Global market leadership
- Significant available TAM
- Stable end markets
- Fragmented competitive landscape

Innovation Driving Product Value

- AI empowering customers
- Leading the industry in Security encryption
- Product first approach driving 90%+ retention rates
- Portfolio depth and breadth is market leading
- Migration to 3rd party cloud enables leverage/efficiencies

Attractive Financial Model

- 5 point operating plan driving organizational focus
- Enviably recurring revenue stream
- Revenue diversification
- Large and diverse customer base
- Repeated earnings growth
- Strong cash flows

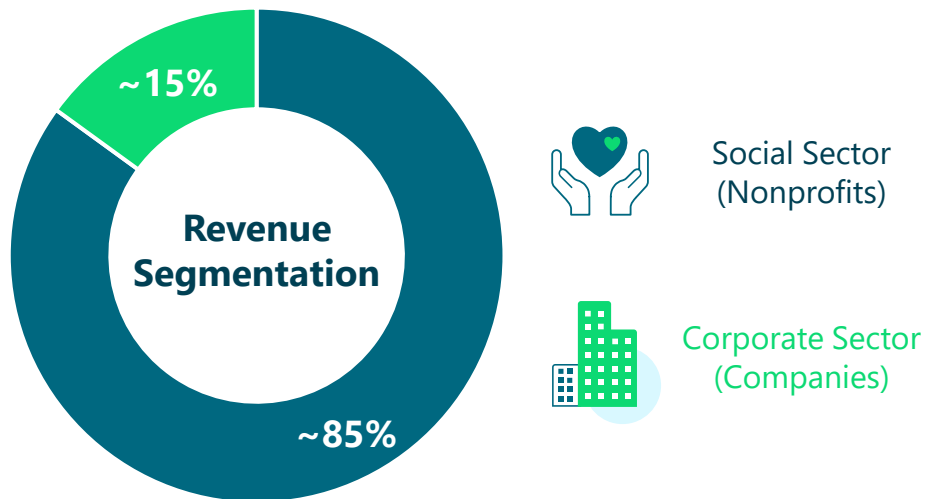
Purposeful Capital Allocation

- Material share repurchase program (up to 10% in FY24)
- Focus on debt level to maintain optimal capital structure
- Targeted M&A to bolster innovation

Blackbaud At-a-Glance

Clear market leader providing software that powers social impact

Mission critical software built to accelerate impact in fundraising, nonprofit financial management, digital giving, grantmaking, corporate social responsibility and education management



Social Sector
(Nonprofits)



Corporate Sector
(Companies)

40+

years serving industry with demonstrated track record

\$100B+

donated, granted, and invested through our platforms every year

\$1.2B

annual recurring revenue¹

40,000+

customers under contract²

~3,000

remote employees

Millions

of users and supporters in 100+ countries

¹ Non-GAAP, at mid-point of 2024 financial guidance, rounded to one decimal. Financial goals represent full year targets.

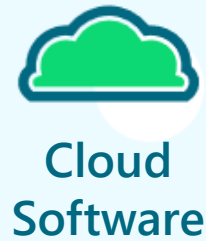
² Customers with contractual billing arrangements in 2023

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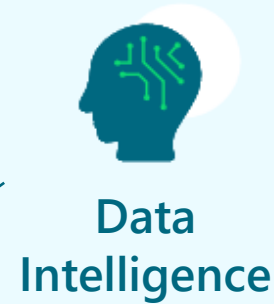
Business overview

Blackbaud is the leading provider of software for powering social impact

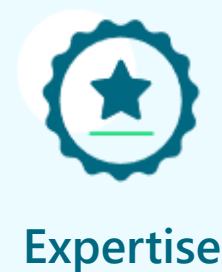
We build, integrate and implement vertical-specific solutions purpose-built for the unique needs of our customers.



We drive impact through dedicated customer support and training, along with strategic and managed services tailored to our customers.



Using exclusive data, analytics and expertise, we deliver unparalleled insight and intelligence to the customers we serve.



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

Our core competencies expand what is possible for purpose-driven organizations



Fundraising and Engagement

Fundraising
Peer-to-Peer Fundraising
Marketing



Financial Management

Fund Accounting
Financial Aid Management
Tuition Management



Grant and Award Management

Grantmaking
Award Management



Organizational and Program Management

Ticketing
Education Management



Social Responsibility

EVERFI
Grantmaking
Employee Giving and Volunteering



Payment Services

Merchant Services
Payables



Data Intelligence

Data Health
Insights
Performance

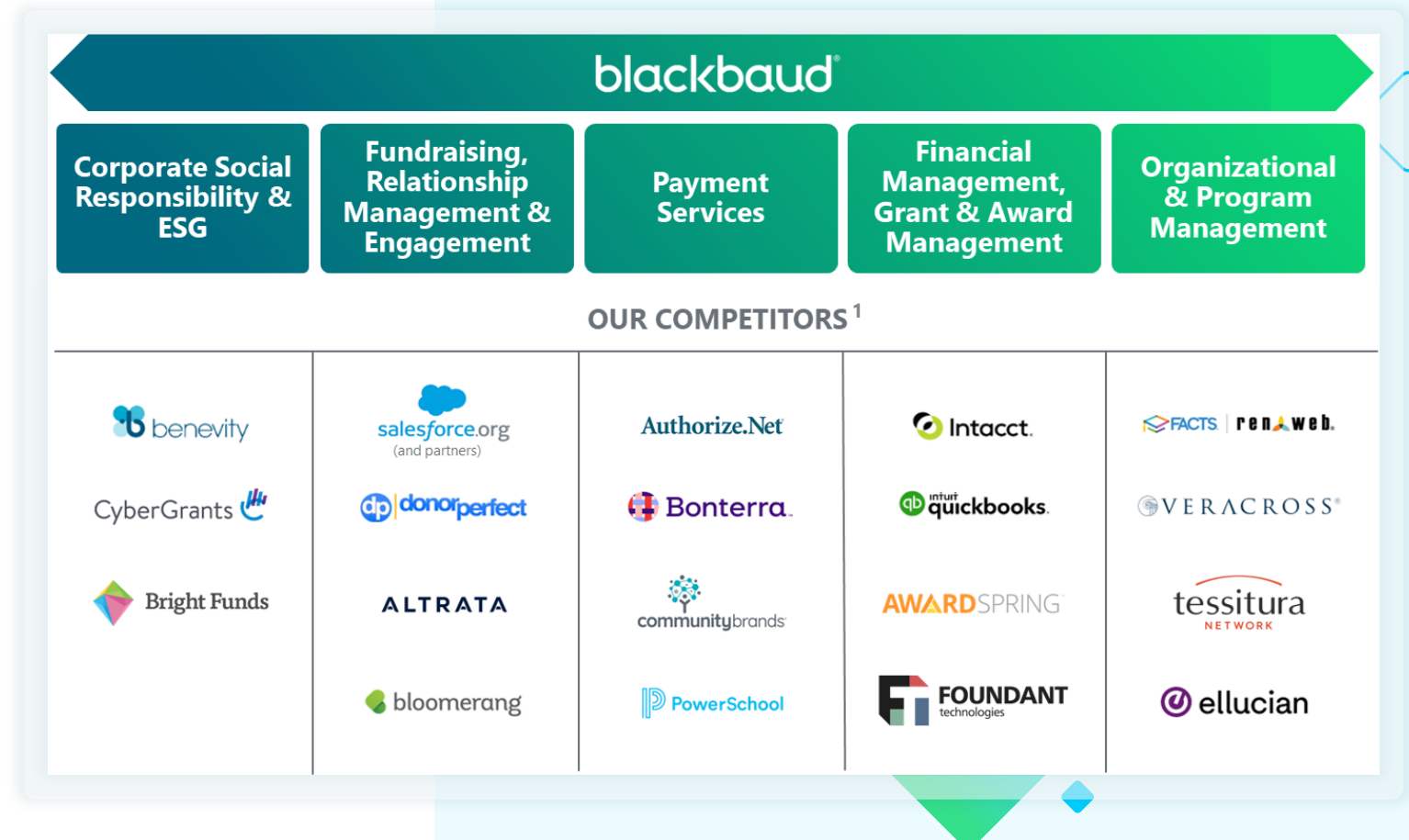


Services

Consulting Services
Implementation and Optimization Services

Most comprehensive solution set that accelerates impact

- Blackbaud is the **leading provider of software** wholly dedicated to powering social impact
- Only Blackbaud offers a full portfolio of **purpose-built, integrated solutions**
- Highly **fragmented competition** offers single-point solutions
- Large customer base with **strong retention**



¹Informed by internal competitive intelligence and analysis

Fueling accelerated impact for our customers

\$4.3B

goal for the Campaign for Carolina exceeded a year early utilizing Blackbaud CRM

300K

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

\$400K

raised through a virtual event powered by JustGiving® from Blackbaud® Peer-to-Peer Fundraising



200%

boost in fundraising, including a \$1 million gift, powered by Blackbaud Raiser's Edge NXT®

100x

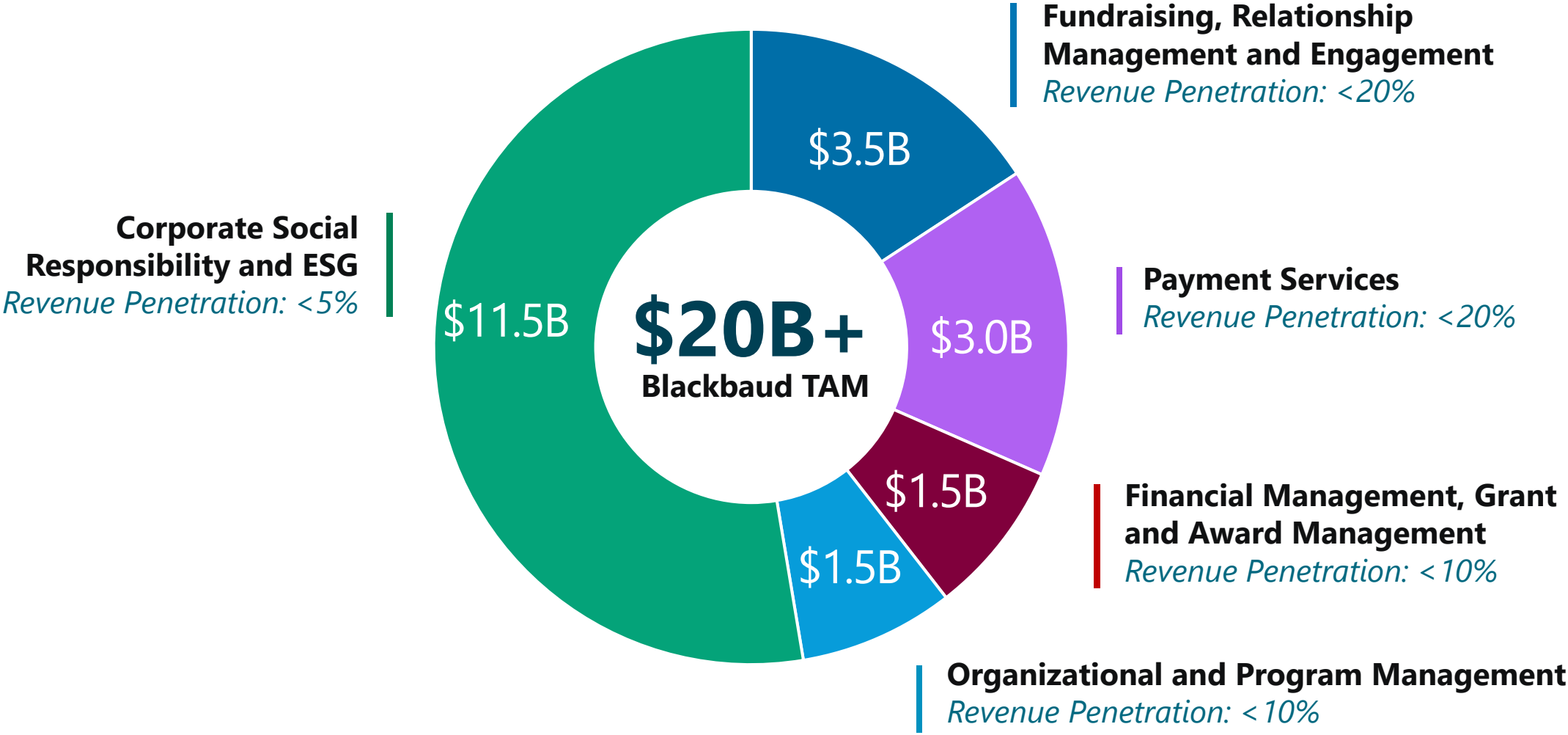
reduction in time setting up tuition account with Blackbaud's suite of education management solutions

350%

Increase in online donations after adoption of Blackbaud Altru and XTruLink, a Blackbaud partner

Sourced from Blackbaud [customer stories](#)

Large and underpenetrated total addressable market

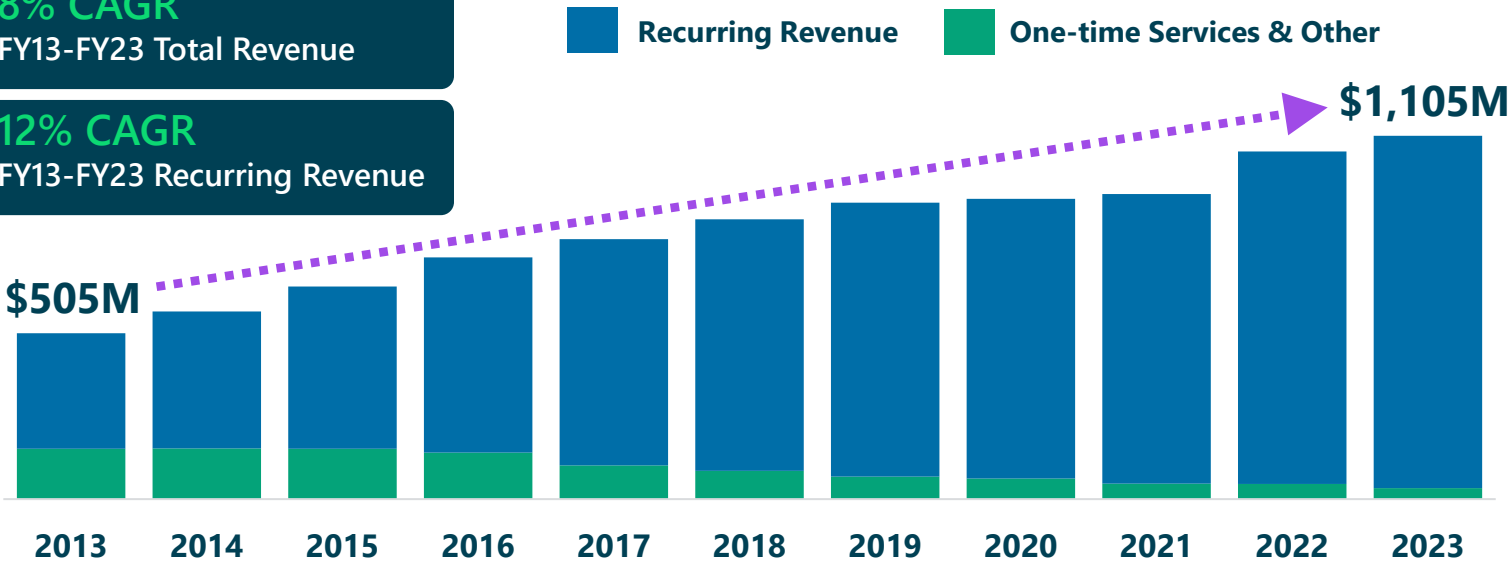


Sources: FY 2023 Blackbaud Revenue. Global Blackbaud TAM based on IRS data, Canadian Revenue Agency, Private School Universe, IPEDS, Dun & Bradstreet, HIMSS, Guidestar, S&P Global database, Small Business & Entrepreneurship Council, Blackbaud internal data

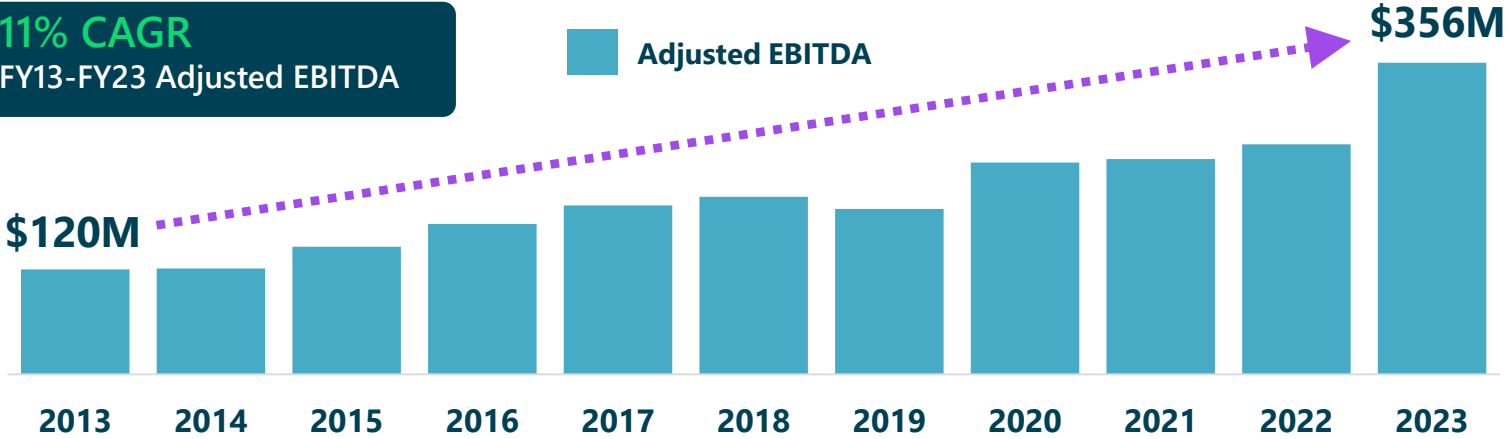
Record of delivering strong recurring revenue and adjusted EBITDA growth

8% CAGR
FY13-FY23 Total Revenue

12% CAGR
FY13-FY23 Recurring Revenue



11% CAGR
FY13-FY23 Adjusted EBITDA



- Recurring revenue represented 97% of total revenue in 2023
- Multiple levers to drive meaningful growth going forward underpinned by five point operating plan
- Adjusted EBITDA growth in excess of total revenue growth

Non-GAAP Revenue. Beginning with 2016, results reflect adoption of ASC 606. Non-GAAP Adjusted EBITDA as defined on page 3.

The background features several decorative geometric shapes. In the top-left corner, there is a large cyan rounded square with a white outline of a diamond inside it. Below it is a smaller purple-to-cyan gradient diamond. In the bottom-left, there is a cyan rounded square and a purple diamond. In the bottom-right, there is a large cyan rounded square with a green diamond on top of it, and a white line forming a peak shape below. The text is centered in the middle of the slide.

Update on operational initiatives

Operating plan driving improved financial performance

1

Product
Innovation and
delivery

2

Bookings growth
and acceleration

3

Transactional
revenue
optimization and
expansion

4

Modernized approach
to pricing and multi-
year customer
contracts

5

Keen attention
to cost
management

Adding substantial value for customers through product delivery and innovation

bbcon 2024: 6 Waves of Innovation

From groundbreaking fundraising AI tools to new integrations and updates for core products, Blackbaud showcased six waves of innovation coming to our product portfolio—all focused on driving more connection and delivering more context

Optimized Donation Forms

New donation forms that fully integrate with Blackbaud's payment processing and CRM software and enable customers to raise more money while reduce processing costs

UBIQ Strategic Investment

Focus of the investment will be on delivering a native integration, extending Blackbaud's Total School Solution to include UBIQ's cutting-edge suite of marketing and admissions tools with seamless data integration across the platform

Prospect Insights Pro

New add-on capability within Raiser's Edge NXT® that gives fundraisers access to AI-driven insights to support planned and major gift fundraising

Raiser's Edge NXT® Enhancements

In April 2024, announced a major wave of all-new innovation and powerful enhancements coming to Raiser's Edge NXT®, including powerful new fundraising AI, a new streamlined user experience, and personalized productivity dashboards

Impact Edge™

A first-of-its-kind AI-powered, social impact reporting and storytelling solution for corporate social responsibility (CSR) and social impact teams of all sizes

Direct sales force focused on signing new logos as well as upsell and cross-sell opportunities



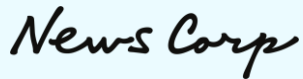
5cities homeless coalition
resources. support. hope.



Strength in optimism. Hope in progress.



Select recent sales wins across Social Sector and Corporate Sector end markets



DOING THE MOST GOOD



SOUTHWESTERN UNIVERSITY

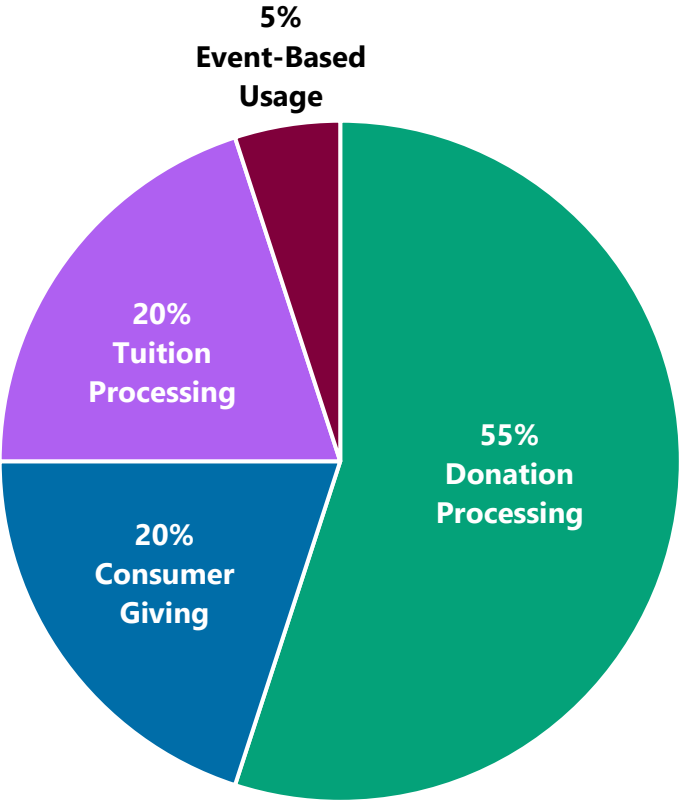


University of Nevada, Reno

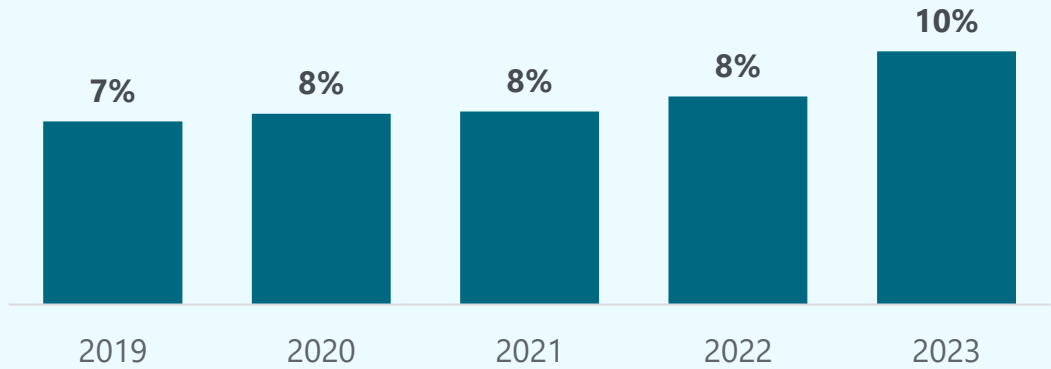


Initiatives across resilient and diverse transactional revenue streams drive continued consistent growth

Transactional recurring revenue streams¹



Transactional recurring revenue growth



- Strong momentum in consumer giving and tuition processing as payments further migrate online
- Rate increases across select areas of payments portfolio
- Additional payments solutions optimization to drive enhanced donor experience

¹ Based on 2023 transactional revenue

Modernized renewal pricing provides better economics and visibility

PRIOR APPROACH

NEW APPROACH *(since March 2023)*

Renewal Term

Mix of annual and multi-year renewal contracts

Primarily 3-year contract renewal terms

Rate Increase at Renewal

Mid-single digit rate increase upon renewal

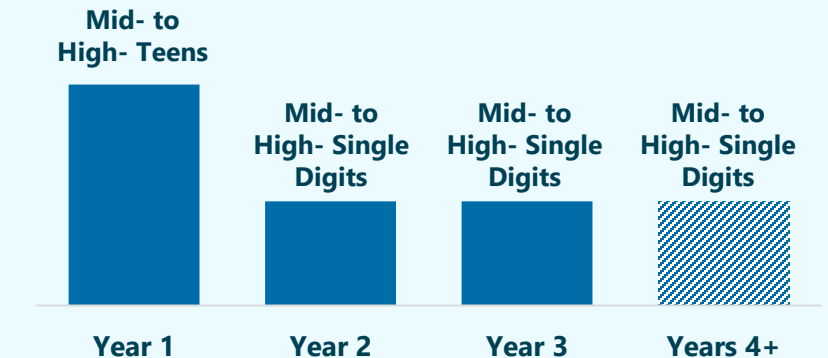
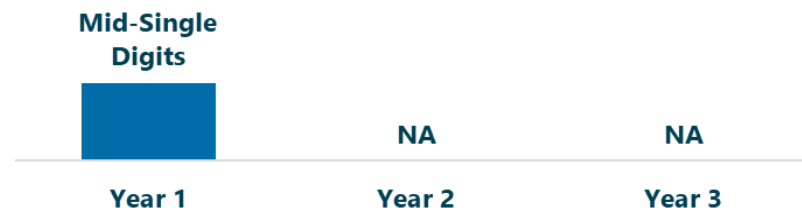
Mid- to high-teens rate increase upon renewal

Embedded Escalator in Multi-Year Contracts

No embedded annual price increase on multi-year contracts

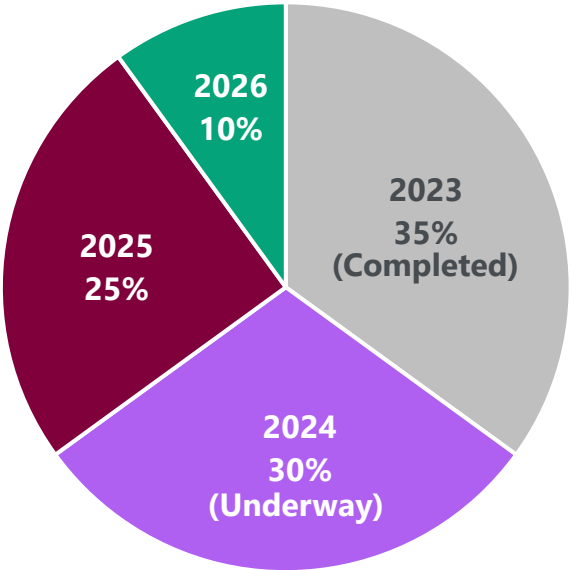
Mid- to high-single digit rate increase embedded in both years 2 & 3

Illustration of Rate Increase on a 3-Year Contract Renewal

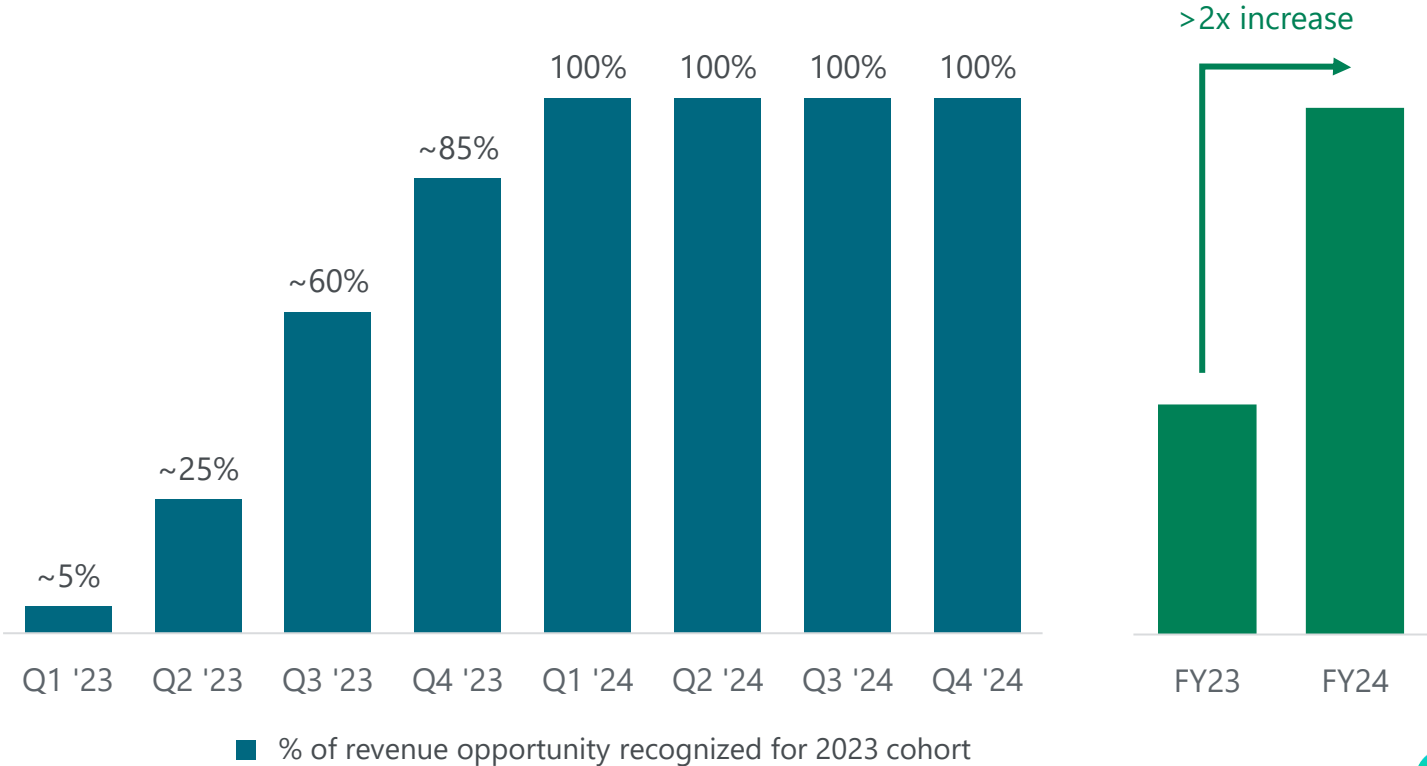


Contract renewal distribution creates sustainable longer-term growth

Mix of contracts eligible for renewal rate increase by renewal year¹



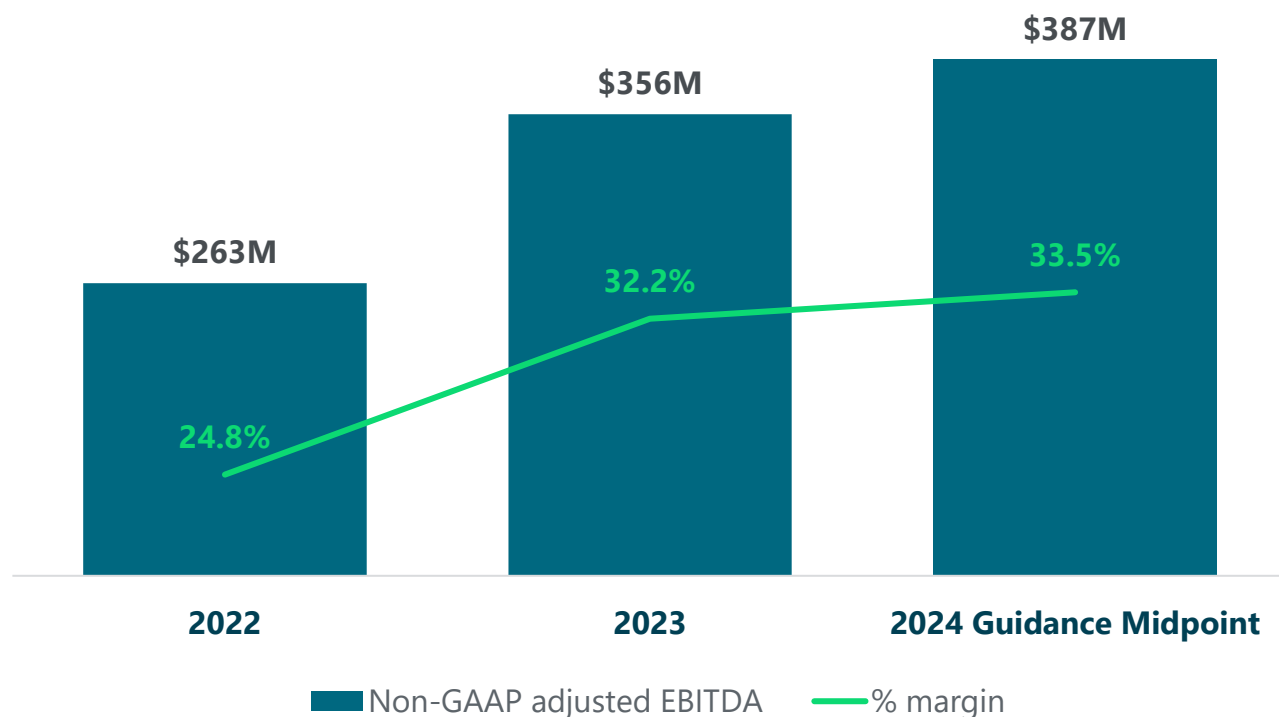
Revenue uplift from 2023 cohort more than doubles in 2024



¹ Estimate as of end of July 2023, excludes new bookings.

Keen attention to cost management will contribute to ongoing margin expansion

Non-GAAP adjusted EBITDA



Drivers of continued margin improvement:

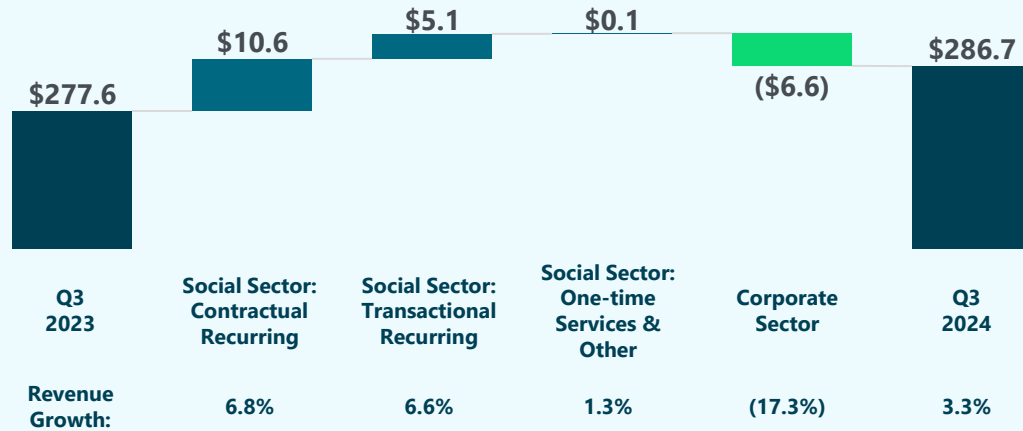
- Intend to manage headcount at current levels for foreseeable future
- Fall-through benefit from renewal price increases
- IT consolidation as we complete migration to third party cloud (2 data centers remaining to close)
- Continue to manage cost structure to realize scale from expense base

The background features a dark teal gradient with several decorative elements: a large teal diamond in the top-left corner containing a white outline diamond; a smaller purple-to-blue gradient diamond in the top-center; a teal diamond in the bottom-left; a purple diamond in the bottom-left; a white outline mountain-like shape in the bottom-center; and a large teal diamond in the bottom-right containing a smaller cyan diamond.

Financial Outlook

Solid Q3 2024 Performance

Revenue Year over Year



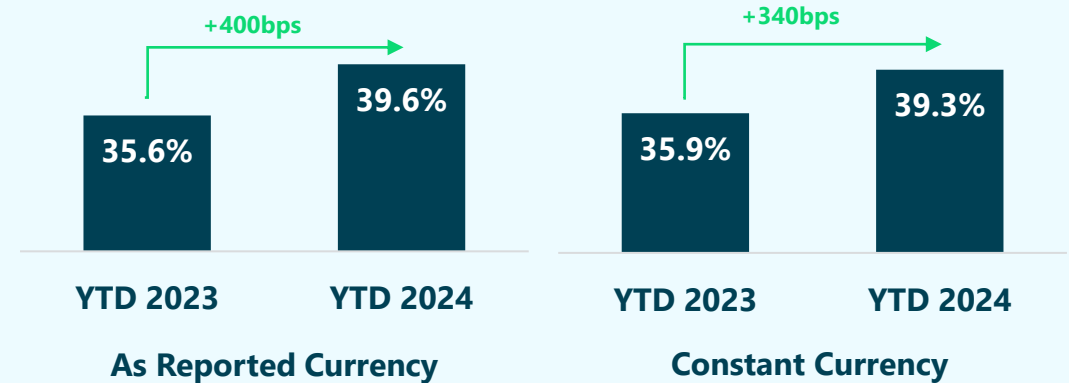
Social Sector Revenue

- Contractual recurring growth supported by sales bookings and modernized approach to renewal pricing launched in March '23
- Increased donation volumes as well as processing rate increases drove transactional recurring growth
- One-time services grew slightly in the quarter

Corporate Sector Revenue

- Macro headwinds leading to softer bookings and retention for EverFi
- Divested EverFi's nonrecurring services business in the UK in Q1
- Dilutive to overall company growth

Rule of 40 Year over Year¹



Rule of 40 Highlights:

- Significant YoY improvement driven by revenue growth acceleration and adjusted EBITDA margin expansion
- Midpoint of FY 2024 financial guidance expected to be a 170bps improvement over FY 2023

¹ Non-GAAP performance through 9/30/24. Rule of 40 at as reported currency measured by non-GAAP organic revenue growth plus non-GAAP Adjusted EBITDA margin. Rule of 40 at constant currency measured by non-GAAP organic revenue growth on constant currency basis plus non-GAAP Adjusted EBITDA margin shown on constant currency basis. Non-GAAP adjusted EBITDA is defined as GAAP net income plus interest, net; income tax provision (benefit); depreciation; amortization of intangible assets from business combinations; amortization of software and content development costs; stock-based compensation; acquisition and disposition-related costs; employee severance; restructuring and other real estate activities; costs, net of insurance, related to the previously disclosed security incident discovered in May 2020 (the "Security Incident"); and impairment of capitalized software development costs. Please refer to the appendix of this presentation.

2024 total company guidance

Revised October 30, 2024

Metric	Guidance Range	Mid-Point
Total Revenue	\$1,150M - \$1,160M	\$1,155M
Adjusted EBITDA Margin	33.0% - 34.0%	33.5%
Diluted EPS	\$3.98 - \$4.16	\$4.07
Adjusted Free Cash Flow	\$235M - \$245M	\$240M

Non-GAAP. Assumptions included in full year 2024 financial guidance: Non-GAAP annualized effective tax rate of 24.5%; Interest expense for the year of \$53M - \$57M; Fully diluted shares for the year in the range of 51M - 52M; Capital expenditures for the year in the range of \$65M to \$75M, including approx. \$60M to \$70M of capitalized software and content development costs

In order to provide a meaningful basis for comparison, Blackbaud now uses non-GAAP adjusted free cash flow in analyzing its operating performance. Non-GAAP adjusted free cash flow is defined as operating cash flow less capital expenditures, including costs required to be capitalized for software and content development, capital expenditures for property and equipment, plus cash flow, net of insurance, related to the previously disclosed Security Incident. For full year 2024, Blackbaud currently expects net cash outlays of \$8 million to \$13 million for ongoing legal fees related to the Security Incident. In line with the Company's policy, all associated costs due to third-party service providers and consultants, including legal fees, are expensed as incurred. As of September 30, 2024, we have recorded approximately \$0.7 million in aggregate liabilities for loss contingencies based primarily on recent negotiations with certain governmental agencies related to the Security Incident that we believed we could reasonably estimate in accordance with our loss contingency procedures. Please refer to the section below titled "Non-GAAP Financial Measures" for more information on Blackbaud's use of non-GAAP financial measures.

Revenue growth rate disaggregation

	Revenue Growth Rate			
	Revenue Mix 2023 Actual	2022 Actual	2023 Actual	2024 Estimate ⁴
Contractual Recurring	55%	2%	4% ²	~8%
Transactional Recurring	29%	7%	11% ²	~7%
One-time Services & Other	2%	(30%)	(29%) ²	~(5%)
Subtotal: Social Sector	86%	2%	5%²	~7%
Corporate Sector	14%	298%¹	0%	~(12%)³
Total Revenue (organic)	100%	2.7%	4.8%	~5.2%

1) Growth rate positively impacted by acquisition of EVERFI on December 31, 2021

2) Growth rates negatively impacted by divestiture of our Foundation Information Management System ("FIMS") and DonorCentral NXT solutions on September 9, 2022

3) Growth rates negatively impacted by divestiture of our U.K.-based creative services business EVERFI Limited on March 2, 2024

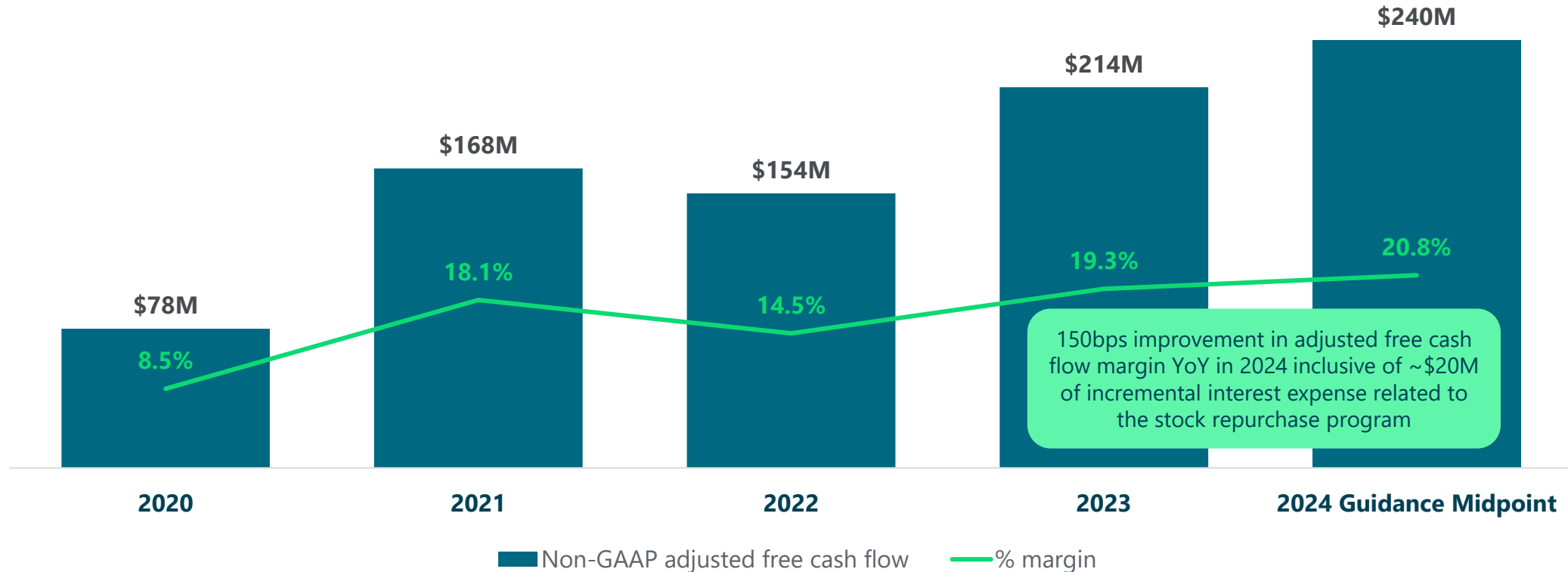
4) 2024 Estimate represents expected revenue growth rate by revenue category. At the midpoint of 2024 financial guidance, Blackbaud expects \$1,155M in total revenue which represents an organic growth rate of 5.2%

Operating plan drives continued financial improvement

	2022	2023	2024 <i>Guidance Midpoint</i>	Drivers of sustained Rule of 40 improvement
Organic revenue growth	2.7%	4.8%	5.2%	<ol style="list-style-type: none"> 1 Product delivery & innovation
Adjusted EBITDA margin	24.8%	32.2%	33.5%	<ol style="list-style-type: none"> 2 Bookings growth & acceleration 3 Transactional revenue optimization & expansion
Rule of 40	27.5%	37.0%	38.7%	<ol style="list-style-type: none"> 4 Modernized approach to renewals 5 Keen attention to cost management

Significant, sustainable adjusted free cash flow growth in 2023 expected to continue in 2024

Non-GAAP adjusted free cash flow¹



1) FY 2024 figure reflects midpoint of guidance. Non-GAAP adjusted free cash flow is defined as operating cash flow less capital expenditures, including costs required to be capitalized for software and content development, capital expenditures for property and equipment, plus cash outflows, net of insurance, related to the previously disclosed Security Incident discovered in May 2020.



Blackbaud intends to repurchase up to 10% of outstanding stock in 2024¹

- Through October Blackbaud has repurchased approximately **~8% of the common stock outstanding at the end of 2023**
- In July, Blackbaud's board of directors approved a replenished and expanded **\$800 million stock repurchase authorization**
- Expect to **repurchase up to 10%** of common stock outstanding in FY2024



1) The timing and amount of repurchases depends on several factors, including market and business conditions, the trading price of our common stock and the nature of other investment opportunities. The repurchase program may be limited, suspended or discontinued at any time without prior notice.

Long-term capital allocation strategy focused on maximizing shareholder value

Stock Repurchases

Up to 10% repurchase expected in 2024 under \$800M authorization

Minimally expect to repurchase stock to offset dilution from annual stock-based compensation (SBC)

Accretive M&A

Target acquisition opportunities with high synergy value and a focus on vertical end markets already served by other Blackbaud products

Debt Repayment

Manage debt balance to maintain optimal capital structure

Blackbaud Investment Pillars

Rich Market Opportunity

- Global market leadership
- Significant available TAM
- Stable end markets
- Fragmented competitive landscape

Innovation Driving Product Value

- AI empowering customers
- Leading the industry in Security encryption
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- Portfolio depth and breadth is market leading
- Migration to 3rd party cloud enables leverage/efficiencies

Attractive Financial Model

- 5 point operating plan driving organizational focus
- Enviably recurring revenue stream
- Revenue diversification
- Large and diverse customer base
- Repeated earnings growth
- Strong cash flows

Purposeful Capital Allocation

- Material share repurchase program (up to 10% in FY24)
- Focus on debt level to maintain optimal capital structure
- Targeted M&A to bolster innovation

The background is a dark teal gradient. It features several decorative elements: a large cyan rounded square in the top-left corner with a white outline diamond inside; a small purple-to-cyan gradient diamond in the top-center; a cyan rounded square in the bottom-left corner; a purple-to-cyan gradient diamond in the bottom-left area; a white outline mountain-like shape in the bottom-center; and a large cyan rounded square in the bottom-right corner with a smaller cyan rounded square overlapping its top-left corner.

Appendix

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

(dollars in thousands)	Nine months ended		Three months ended			Year ended	Three months ended			
	09/30/2024	09/30/2023	09/30/2024	06/30/2024	03/31/2024	12/31/2023	12/31/2023	09/30/2023	06/30/2023	03/31/2023
GAAP revenue	\$ 853,263	\$ 810,421	\$ 286,727	\$ 287,286	\$ 279,250	\$ 1,105,432	\$ 295,011	\$ 277,626	\$ 271,042	\$ 261,753
GAAP revenue growth	5.3 %		3.3 %	6.0 %	6.7 %					
Less: Non-GAAP revenue from divested businesses ⁽¹⁾	—	(5,189)	—	—	—	(7,402)	(2,213)	(2,692)	(1,851)	(646)
Non-GAAP organic revenue ⁽²⁾	\$ 853,263	\$ 805,232	\$ 286,727	\$ 287,286	\$ 279,250	\$ 1,098,030	\$ 292,798	\$ 274,934	\$ 269,191	\$ 261,107
Non-GAAP organic revenue growth	6.0 %		4.3 %	6.7 %	6.9 %					
Non-GAAP organic revenue ⁽²⁾	\$ 853,263	\$ 805,232	\$ 286,727	\$ 287,286	\$ 279,250	1,098,030	\$ 292,798	\$ 274,934	\$ 269,191	\$ 261,107
Foreign currency impact on Non-GAAP organic revenue ⁽³⁾	(2,130)	—	(1,024)	(195)	(911)	—	—	—	—	—
Non-GAAP organic revenue on constant currency basis ⁽³⁾	\$ 851,133	\$ 805,232	\$ 285,703	\$ 287,091	\$ 278,339	\$ 1,098,030	\$ 292,798	\$ 274,934	\$ 269,191	\$ 261,107
Non-GAAP organic revenue growth on constant currency basis	5.7 %		3.9 %	6.6 %	6.6 %					
GAAP recurring revenue	832,912	784,139	280,018	281,376	271,518	1,071,520	287,381	269,001	262,390	252,748
GAAP recurring revenue growth	6.2 %		4.1 %	7.2 %	7.4 %					
Less: Non-GAAP recurring revenue from divested businesses ⁽¹⁾	—	—	—	—	—	—	—	—	—	—
Non-GAAP organic recurring revenue ⁽²⁾	\$ 832,912	\$ 784,139	\$ 280,018	\$ 281,376	\$ 271,518	\$ 1,071,520	\$ 287,381	\$ 269,001	\$ 262,390	\$ 252,748
Non-GAAP organic recurring revenue growth	6.2 %		4.1 %	7.2 %	7.4 %					
Non-GAAP organic recurring revenue ⁽²⁾	\$ 832,912	\$ 784,139	\$ 280,018	\$ 281,376	\$ 271,518	1,071,520	\$ 287,381	\$ 269,001	\$ 262,390	\$ 252,748
Foreign currency impact on non-GAAP organic recurring revenue ⁽³⁾	(2,070)	—	(1,005)	(197)	(868)	—	—	—	—	—
Non-GAAP organic recurring revenue on constant currency basis ⁽³⁾	\$ 830,842	\$ 784,139	\$ 279,013	\$ 281,179	\$ 270,650	\$ 1,071,520	\$ 287,381	\$ 269,001	\$ 262,390	\$ 252,748
Non-GAAP organic recurring revenue growth on constant currency basis	6.0 %		3.7 %	7.2 %	7.1 %					

(1) Non-GAAP revenue from divested businesses excludes revenue associated with divested businesses. The exclusion of the prior period revenue is to present the results of the divested business with the results of the combined company for the same period of time in both the prior and current periods.

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

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

(dollars in thousands)	Three months ended		Nine months ended	
	09/30/2024	09/30/2023	09/30/2024	09/30/2023
GAAP net income	\$ 20,542	\$ 9,017	\$ 47,592	\$ (3,579)
Non-GAAP adjustments:				
Add: Interest, net	11,022	6,608	32,150	24,893
Add: GAAP income tax provision (benefit)	12,140	9,069	18,567	(5,032)
Add: Depreciation	3,293	3,293	9,621	9,901
Add: Amortization of intangibles from business combinations	15,585	13,910	46,693	41,719
Add: Amortization of software and content development costs ⁽¹⁾	13,186	11,573	37,915	33,113
Subtotal	55,226	44,453	144,946	104,594
Non-GAAP EBITDA	\$ 75,768	\$ 53,470	\$ 192,538	\$ 101,015
Non-GAAP EBITDA margin⁽²⁾	26.4 %		22.6 %	
Non-GAAP adjustments:				
Add: Stock-based compensation expense	18,574	32,379	76,430	95,668
Add: Employee severance	—	140	—	5,094
Add: Acquisition and disposition-related costs	246	7,029	4,899	6,799
Add: Security Incident-related costs ⁽³⁾	637	4,086	12,782	48,646
Subtotal	19,457	43,634	94,111	156,207
Non-GAAP adjusted EBITDA	\$ 95,225	\$ 97,104	\$ 286,649	\$ 257,222
Non-GAAP adjusted EBITDA margin⁽⁴⁾	33.2 %		33.6 %	
Rule of 40⁽⁵⁾	37.5 %		39.6 %	
Non-GAAP adjusted EBITDA	95,225	97,104	286,649	257,222
Foreign currency impact on Non-GAAP adjusted EBITDA ⁽⁶⁾	(556)	(1,162)	(1,059)	709
Non-GAAP adjusted EBITDA on constant currency basis⁽⁶⁾	\$ 94,669	\$ 95,942	\$ 285,590	\$ 257,931
Non-GAAP adjusted EBITDA margin on constant currency basis	33.1 %		33.6 %	
Rule of 40 on constant currency basis⁽⁷⁾	37.0 %		39.3 %	

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

(2) Measured by GAAP revenue divided by non-GAAP EBITDA.

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

(4) Measured by non-GAAP organic revenue divided by non-GAAP adjusted EBITDA.

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

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

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

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

Three Months Ended September 30, 2024										
(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Security Incident-related costs ⁽¹⁾	Non-GAAP adjustments subtotal	Non-GAAP		
Revenue										
Recurring	\$ 280,018	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 280,018
One-time services and other	6,709	—	—	—	—	—	—	—	—	6,709
Total revenue	286,727	—	—	—	—	—	—	—	—	286,727
Cost of revenue										
Cost of recurring	122,646	(2,770)	(14,347)	—	—	—	(17,117)	105,529		
Cost of one-time services and other	4,871	(145)	(320)	—	—	—	(465)	4,406		
Total cost of revenue	127,517	(2,915)	(14,667)	—	—	—	(17,582)	109,935		
Gross profit	159,210	2,915	14,667	—	—	—	17,582	176,792		
<i>Recurring gross margin</i>	<i>56.2 %</i>							<i>6.1 %</i>		<i>62.3 %</i>
<i>One-time services and other gross margin</i>	<i>27.4 %</i>							<i>6.9 %</i>		<i>34.3 %</i>
Total gross margin	55.5 %							6.2 %		61.7 %
Operating expenses										
Sales, marketing and customer success	49,454	(3,560)	—	—	—	—	(3,560)	45,894		
Research and development	39,368	(5,402)	—	—	—	—	(5,402)	33,966		
General and administrative	25,645	(6,697)	—	(52)	(194)	(637)	(7,580)	18,065		
Amortization	918	—	(918)	—	—	—	(918)	—		
Total operating expenses	115,385	(15,659)	(918)	(52)	(194)	(637)	(17,460)	97,925		
Income from operations	43,825	18,574	15,585	52	194	637	35,042	78,867		
Total operating margin	15.3 %							12.2 %		27.5 %
Net Income	\$ 20,542							\$ 51,132		
Shares used in computing diluted earnings per share	51,633							51,633		
Diluted earnings per share	\$ 0.40							\$ 0.99		

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

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

Nine Months Ended September 30, 2024									
(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Security Incident-related costs ⁽¹⁾	Non-GAAP adjustments subtotal	Non-GAAP	
Revenue									
Recurring	\$ 832,912	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 832,912
One-time services and other	20,351	—	—	—	—	—	—	—	20,351
Total revenue	853,263	—	—	—	—	—	—	—	853,263
Cost of revenue									
Cost of recurring	361,644	(8,931)	(42,990)	—	—	—	(51,921)	—	309,723
Cost of one-time services and other	16,779	(1,135)	(979)	—	—	—	(2,114)	—	14,665
Total cost of revenue	378,423	(10,066)	(43,969)	—	—	—	(54,035)	—	324,388
Gross profit	474,840	10,066	43,969	—	—	—	54,035	—	528,875
<i>Recurring gross margin</i>	<i>56.6 %</i>						<i>6.2 %</i>		<i>62.8 %</i>
<i>One-time services and other gross margin</i>	<i>17.6 %</i>						<i>10.3 %</i>		<i>27.9 %</i>
Total Gross Margin	55.6 %						6.4 %		62.0 %
Operating expenses									
Sales, marketing and customer success	147,400	(12,788)	—	—	—	—	(12,788)	—	134,612
Research and development	121,238	(19,389)	—	—	—	—	(19,389)	—	101,849
General and administrative	106,842	(34,187)	—	(52)	(4,847)	(12,782)	(51,868)	—	54,974
Amortization	2,724	—	(2,724)	—	—	—	(2,724)	—	—
Total operating expenses	378,204	(66,364)	(2,724)	(52)	(4,847)	(12,782)	(86,769)	—	291,435
Income from operations	96,636	76,430	46,693	52	4,847	12,782	140,804	—	237,440
Total Operating Margin	11.3 %						16.5 %		27.8 %
Net Income	\$ 47,592								\$ 156,257
Shares used in computing diluted earnings per share	52,107								52,107
Diluted earnings per share	\$ 0.91								\$ 3.00

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

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

Three Months Ended September 30, 2023										
(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Security Incident-related costs ⁽¹⁾	Non-GAAP adjustments subtotal	Non-GAAP		
Revenue										
Recurring	\$ 269,001	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 269,001
One-time services and other	8,625	—	—	—	—	—	—	—	—	8,625
Total revenue	277,626	—	—	—	—	—	—	—	—	277,626
Cost of revenue										
Cost of recurring	114,132	(3,546)	(12,770)	—	—	—	(16,316)	97,816		
Cost of one-time services and other	7,634	(599)	(347)	—	—	—	(946)	6,688		
Total cost of revenue	121,766	(4,145)	(13,117)	—	—	—	(17,262)	104,504		
Gross profit	155,860	4,145	13,117	—	—	—	17,262	173,122		
<i>Recurring gross margin</i>	<i>57.6 %</i>						<i>6.0 %</i>	<i>63.6 %</i>		
<i>One-time services and other gross margin</i>	<i>11.5 %</i>						<i>11.0 %</i>	<i>22.5 %</i>		
Total gross margin	56.1 %						6.3 %	62.4 %		
Operating expenses										
Sales, marketing and customer success	52,462	(5,795)	—	(88)	—	—	(5,883)	46,579		
Research and development	37,965	(7,823)	—	—	—	—	(7,823)	30,142		
General and administrative	42,596	(14,616)	—	(52)	(7,029)	(4,086)	(25,783)	16,813		
Amortization	793	—	(793)	—	—	—	(793)	—		
Total operating expenses	133,816	(28,234)	(793)	(140)	(7,029)	(4,086)	(40,282)	93,534		
Income from operations	22,044	32,379	13,910	140	7,029	4,086	57,544	79,588		
Total Operating Margin	7.9 %						20.8 %	28.7 %		
Net Income	\$ 9,017							\$ 60,504		
Shares used in computing diluted earnings per share	54,090							54,090		
Diluted earnings per share	\$ 0.17							\$ 1.12		

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

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

Nine Months Ended September 30, 2023									
(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Security Incident-related costs ⁽¹⁾	Non-GAAP adjustments subtotal	Non-GAAP	
Revenue									
Recurring	\$ 784,139	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 784,139
One-time services and other	26,282	—	—	—	—	—	—	—	26,282
Total revenue	810,421	—	—	—	—	—	—	—	810,421
Cost of revenue									
Cost of recurring	342,558	(10,292)	(38,326)	(433)	—	—	(49,051)		293,507
Cost of one-time services and other	23,795	(1,950)	(1,038)	(364)	—	—	(3,352)		20,443
Total cost of revenue	366,353	(12,242)	(39,364)	(797)	—	—	(52,403)		313,950
Gross profit	444,068	12,242	39,364	797	—	—	52,403		496,471
<i>Recurring gross margin</i>	<i>56.3 %</i>						<i>6.3 %</i>		<i>62.6 %</i>
<i>One-time services and other gross margin</i>	<i>9.5 %</i>						<i>12.7 %</i>		<i>22.2 %</i>
Total Gross Margin	54.8 %						6.5 %		61.3 %
Operating expenses									
Sales, marketing and customer success	160,038	(18,503)	—	(2,177)	—	—	(20,680)		139,358
Research and development	114,702	(22,730)	—	(1,135)	—	—	(23,865)		90,837
General and administrative	154,582	(42,193)	—	(985)	(6,799)	(48,646)	(98,623)		55,959
Amortization	2,355	—	(2,355)	—	—	—	(2,355)		—
Total operating expenses	431,677	(83,426)	(2,355)	(4,297)	(6,799)	(48,646)	(145,523)		286,154
Income from operations	12,391	95,668	41,719	5,094	6,799	48,646	197,926		210,317
Total Operating Margin	1.5 %						24.5 %		26.0 %
Net (loss) income	\$ (3,579)								\$ 151,452
Shares used in computing diluted (loss) earnings per share	52,496								53,470
Diluted (loss) earnings per share	\$ (0.07)								\$ 2.83

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

Historical Consolidated Balance Sheets (Unaudited)

(in thousands)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Assets							
Current assets:							
Cash and cash equivalents	\$ 24,083	\$ 29,041	\$ 31,091	\$ 31,251	\$ 26,376	\$ 30,438	\$ 34,633
Restricted cash	364,071	761,289	359,596	697,006	356,493	800,670	428,095
Accounts receivable, net of allowance	100,253	168,908	102,755	101,862	96,097	152,832	97,988
Customer funds receivable	2,136	3,731	3,557	353	3,529	2,943	7,343
Prepaid expenses and other current assets	88,779	81,597	82,407	99,285	94,589	92,290	87,499
Total current assets	579,322	1,044,566	579,406	929,757	577,084	1,079,173	655,558
Property and equipment, net	105,309	104,672	100,575	98,689	96,074	98,066	95,053
Operating lease right-of-use assets	47,176	45,497	38,374	36,927	35,464	28,489	27,522
Software and content development costs, net	145,705	151,158	155,937	160,194	162,491	165,465	169,507
Goodwill	1,051,652	1,053,342	1,051,163	1,053,738	1,053,130	1,053,249	1,056,882
Intangible assets, net	622,237	609,524	594,169	581,937	565,008	549,521	536,008
Other assets	87,947	84,254	83,654	51,037	59,883	68,785	60,444
Total assets	\$ 2,639,348	\$ 3,093,013	\$ 2,603,278	\$ 2,912,279	\$ 2,549,134	\$ 3,042,748	\$ 2,600,974
Liabilities and stockholders' equity							
Current liabilities:							
Trade accounts payable	\$ 46,528	\$ 40,730	\$ 39,357	\$ 25,184	\$ 48,863	\$ 44,038	\$ 43,983
Accrued expenses and other current liabilities	72,799	102,747	101,379	64,322	75,271	51,682	48,745
Due to customers	364,397	763,845	361,837	695,842	358,836	802,372	434,093
Debt, current portion	19,136	19,176	19,217	19,259	19,302	23,786	23,830
Deferred revenue, current portion	361,003	434,631	415,810	392,530	360,355	427,098	411,554
Total current liabilities	863,863	1,361,129	937,600	1,197,137	862,627	1,348,976	962,205
Debt, net of current portion	858,912	827,403	723,376	760,405	1,020,520	998,071	977,019
Deferred tax liability	131,460	91,306	94,322	93,292	82,446	75,397	68,196
Deferred revenue, net of current portion	6,956	3,520	3,022	2,397	6,832	2,315	1,705
Operating lease liabilities, net of current portion	45,190	43,529	41,811	40,085	38,492	36,290	35,218
Other liabilities	13,234	4,756	2,976	10,258	4,163	4,362	12,304
Total liabilities	1,919,615	2,331,643	1,803,107	2,103,574	2,015,080	2,465,411	2,056,647
Commitments and contingencies							
Stockholders' equity:							
Preferred stock	—	—	—	—	—	—	—
Common stock, \$0.001 par value	69	69	69	69	71	71	71
Additional paid-in capital	1,105,189	1,138,553	1,170,919	1,203,012	1,184,338	1,208,624	1,227,198
Treasury stock, at cost	(568,277)	(570,547)	(572,428)	(591,557)	(855,692)	(857,452)	(922,516)
Accumulated other comprehensive loss	404	8,842	8,141	(1,688)	1,222	175	(6,887)
Retained earnings	182,348	184,453	193,470	198,869	204,115	225,919	246,461
Total stockholders' equity	719,733	761,370	800,171	808,705	534,054	577,337	544,327
Total liabilities and stockholders' equity	\$ 2,639,348	\$ 3,093,013	\$ 2,603,278	\$ 2,912,279	\$ 2,549,134	\$ 3,042,748	\$ 2,600,974

Historical Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands, except share and per share amounts)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024	Q3 2024
Revenue								
Recurring	\$ 252,748	\$ 262,390	\$ 269,001	\$ 287,381	\$ 1,071,520	\$ 271,518	\$ 281,376	\$ 280,018
One-time services and other	9,005	8,652	8,625	7,630	33,912	7,732	5,910	6,709
Total revenue	261,753	271,042	277,626	295,011	1,105,432	279,250	287,286	286,727
Cost of revenue								
Cost of recurring	114,500	113,926	114,132	127,897	470,455	119,188	119,810	122,646
Cost of one-time services and other	8,612	7,549	7,634	7,938	31,733	7,018	4,890	4,871
Total cost of revenue	123,112	121,475	121,766	135,835	502,188	126,206	124,700	127,517
Gross profit	138,641	149,567	155,860	159,176	603,244	153,044	162,586	159,210
Operating expenses								
Sales, marketing and customer success	54,385	53,191	52,462	52,120	212,158	50,865	47,081	49,454
Research and development	40,591	36,146	37,965	38,602	153,304	42,802	39,068	39,368
General and administrative	52,838	59,148	42,596	35,356	189,938	47,754	33,443	25,645
Amortization	774	788	793	784	3,139	904	902	918
Total operating expenses	148,588	149,273	133,816	126,862	558,539	142,325	120,494	115,385
(Loss) income from operations	(9,947)	294	22,044	32,314	44,705	10,719	42,092	43,825
Interest expense	(10,662)	(11,167)	(9,620)	(8,473)	(39,922)	(10,276)	(15,715)	(14,140)
Other income, net	2,007	2,778	5,662	2,414	12,861	3,347	3,310	2,997
(Loss) income before (benefit) provision for income taxes	(18,602)	(8,095)	18,086	26,255	17,644	3,790	29,687	32,682
Income tax (benefit) provision	(3,901)	(10,200)	9,069	20,856	15,824	(1,456)	7,883	12,140
Net (loss) income	\$ (14,701)	\$ 2,105	\$ 9,017	\$ 5,399	\$ 1,820	\$ 5,246	\$ 21,804	\$ 20,542
(Loss) earnings per share								
Basic	\$ (0.28)	\$ 0.04	\$ 0.17	\$ 0.10	\$ 0.03	\$ 0.10	\$ 0.43	\$ 0.41
Diluted	\$ (0.28)	\$ 0.04	\$ 0.17	\$ 0.10	\$ 0.03	\$ 0.10	\$ 0.42	\$ 0.40
Common shares and equivalents outstanding								
Basic weighted average shares	52,132,999	52,642,411	52,704,974	52,697,294	52,546,406	52,052,370	50,747,337	50,409,292
Diluted weighted average shares	52,132,999	53,643,124	54,089,897	54,439,689	53,721,342	53,414,495	51,677,418	51,632,569
Other comprehensive (loss) income								
Foreign currency translation adjustment	2,158	3,055	(4,794)	4,630	5,049	(1,185)	339	6,463
Unrealized (loss) gain on derivative instruments, net of tax	(10,692)	5,383	4,093	(14,459)	(15,675)	4,095	(1,386)	(13,525)
Total other comprehensive (loss) income	(8,534)	8,438	(701)	(9,829)	(10,626)	2,910	(1,047)	(7,062)
Comprehensive (loss) income	\$ (23,235)	\$ 10,543	\$ 8,316	\$ (4,430)	\$ (8,806)	\$ 8,156	\$ 20,757	\$ 13,480

Historical Consolidated Statements of Cash Flows (Unaudited)

(in thousands)	3 months ended 3/31/2023	6 months ended 6/30/2023	9 months ended 9/30/2023	12 months ended 12/31/2023	3 months ended 3/31/2024	6 months ended 6/30/2024	9 months ended 9/30/2024
Cash flows from operating activities							
Net (loss) income	\$ (14,701)	\$ (12,596)	\$ (3,579)	\$ 1,820	\$ 5,246	\$ 27,050	\$ 47,592
Adjustments to reconcile net (loss) income to net cash provided by operating activities:							
Depreciation and amortization	27,272	53,622	81,627	109,487	30,095	60,553	91,618
Provision for credit losses and sales returns	1,522	3,798	4,815	4,500	305	519	1,721
Stock-based compensation expense	29,925	63,289	95,668	127,762	33,570	57,856	76,430
Deferred taxes	9,245	(33,101)	(31,163)	(24,368)	(12,239)	(18,810)	(21,776)
Amortization of deferred financing costs and discount	500	963	1,388	1,775	349	984	1,786
Loss on disposition of business	—	—	—	—	1,561	1,561	1,561
Other non-cash adjustments	(215)	(1,569)	5,106	5,023	—	2,462	2,462
Changes in operating assets and liabilities, net of acquisition and disposal of businesses:							
Accounts receivable	1,139	(69,624)	(4,757)	(3,237)	3,844	(53,062)	918
Prepaid expenses and other assets	(2,750)	9,470	14,488	16,851	(3,265)	(2,473)	(873)
Trade accounts payable	3,362	(3,431)	(3,362)	(18,576)	23,086	19,146	18,322
Accrued expenses and other liabilities	(15,931)	11,948	9,073	(30,275)	7,912	(13,579)	(16,373)
Deferred revenue	(17,562)	52,233	33,679	8,872	(25,845)	36,228	18,998
Net cash provided by operating activities	21,806	75,002	202,983	199,634	64,619	118,435	222,386
Cash flows from investing activities							
Purchase of property and equipment	(1,364)	(2,779)	(4,243)	(4,685)	(261)	(6,118)	(7,235)
Capitalized software and content development costs	(13,967)	(28,756)	(44,664)	(59,443)	(13,070)	(28,392)	(42,882)
Purchase of net assets of acquired companies, net of cash and restricted cash acquired	—	—	(13)	(13)	—	—	—
Net cash used in disposition of business	—	—	—	—	(1,179)	(1,179)	(1,179)
Other investing activities	—	—	(250)	(250)	—	(5,029)	(5,029)
Net cash used in investing activities	(15,331)	(31,535)	(49,170)	(64,391)	(14,510)	(40,718)	(56,325)
Cash flows from financing activities							
Proceeds from issuance of debt	92,600	158,000	175,800	293,200	339,800	1,211,600	1,303,400
Payments on debt	(75,403)	(171,824)	(293,957)	(374,595)	(79,343)	(966,680)	(1,080,192)
Debt issuance costs	—	—	—	—	—	(6,458)	(6,458)
Employee taxes paid for withheld shares upon equity award settlement	(31,417)	(33,687)	(35,568)	(35,867)	(52,723)	(54,483)	(55,950)
Change in due to customers	(337,159)	61,313	(339,735)	(6,812)	(336,578)	106,851	(263,732)
Change in customer funds receivable	(1,859)	(3,359)	(3,286)	(60)	(3,197)	(2,577)	(6,777)
Purchase of treasury stock	—	—	—	(18,831)	(262,596)	(262,596)	(325,408)
Net cash (used in) provided by financing activities	(353,238)	10,443	(496,746)	(142,965)	(394,637)	25,657	(435,117)
Effect of exchange rate on cash, cash equivalents, and restricted cash	986	2,489	(311)	2,048	(860)	(523)	3,527
Net (decrease) increase in cash, cash equivalents, and restricted cash	(345,777)	56,399	(343,244)	(5,674)	(345,388)	102,851	(265,529)
Cash, cash equivalents, and restricted cash, beginning of period	733,931	733,931	733,931	733,931	728,257	728,257	728,257
Cash, cash equivalents, and restricted cash, end of period	\$ 388,154	\$ 790,330	\$ 390,687	\$ 728,257	\$ 382,869	\$ 831,108	\$ 462,728

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

(in thousands, except share and per share amounts)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023 ⁽¹⁾	Q1 2024	Q2 2024	Q3 2024
GAAP Revenue	\$ 261,753	\$ 271,042	\$ 277,626	\$ 295,011	\$ 1,105,432	\$ 279,250	\$ 287,286	\$ 286,727
GAAP gross profit	\$ 138,641	\$ 149,567	\$ 155,860	\$ 159,176	\$ 603,244	\$ 153,044	\$ 162,586	\$ 159,210
GAAP gross margin	53.0 %	55.2 %	56.1 %	54.0 %	54.6 %	54.8 %	56.6 %	55.5 %
Non-GAAP adjustments:								
Add: Stock-based compensation expense	3,954	4,143	4,145	4,416	16,658	3,774	3,377	2,915
Add: Amortization of intangibles from business combinations	13,111	13,136	13,117	13,099	52,463	14,663	14,639	14,667
Add: Employee severance	743	54	—	—	797	—	—	—
Subtotal	17,808	17,333	17,262	17,515	69,918	18,437	18,016	17,582
Non-GAAP gross profit	\$ 156,449	\$ 166,900	\$ 173,122	\$ 176,691	\$ 673,162	\$ 171,481	\$ 180,602	\$ 176,792
Non-GAAP gross margin	59.8 %	61.6 %	62.4 %	59.9 %	60.9 %	61.4 %	62.9 %	61.7 %
GAAP (loss) income from operations	\$ (9,947)	\$ 294	\$ 22,044	\$ 32,314	\$ 44,705	\$ 10,719	\$ 42,092	\$ 43,825
GAAP operating margin	(3.8)%	0.1 %	7.9 %	11.0 %	4.0 %	3.8 %	14.7 %	15.3 %
Non-GAAP adjustments:								
Add: Stock-based compensation expense	29,925	33,364	32,379	32,094	127,762	33,570	24,286	18,574
Add: Amortization of intangibles from business combinations	13,885	13,924	13,910	13,883	55,602	15,567	15,541	15,585
Add: Employee severance	4,322	632	140	55	5,149	—	—	—
Add: Acquisition and disposition-related costs	619	(849)	7,029	657	7,456	2,255	2,398	246
Add: Security Incident-related costs ⁽²⁾	17,783	26,777	4,086	4,780	53,426	10,323	1,822	637
Subtotal	66,534	73,848	57,544	51,469	249,395	61,715	44,047	35,042
Non-GAAP income from operations	\$ 56,587	\$ 74,142	\$ 79,588	\$ 83,783	\$ 294,100	\$ 72,434	\$ 86,139	\$ 78,867
Non-GAAP operating margin	21.6 %	27.4 %	28.7 %	28.4 %	26.6 %	25.9 %	30.0 %	27.5 %
GAAP (loss) income before (benefit) provision for income taxes	\$ (18,602)	\$ (8,095)	\$ 18,086	\$ 26,255	\$ 17,644	\$ 3,790	\$ 29,687	\$ 32,682
GAAP net (loss) income	\$ (14,701)	\$ 2,105	\$ 9,017	\$ 5,399	\$ 1,820	\$ 5,246	\$ 21,804	\$ 20,542
Shares used in computing GAAP diluted (loss) earnings per share	52,132,999	53,643,124	54,089,897	54,439,689	53,721,342	53,414,495	51,677,418	51,632,569
GAAP diluted (loss) earnings per share	\$ (0.28)	\$ 0.04	\$ 0.17	\$ 0.10	\$ 0.03	\$ 0.10	\$ 0.42	\$ 0.40
Non-GAAP adjustments:								
Add: GAAP income tax (benefit) provision	(3,901)	(10,200)	9,069	20,856	15,824	(1,456)	7,883	12,140
Add: Total Non-GAAP adjustments affecting income from operations	66,534	73,848	57,544	51,469	249,395	61,715	44,047	35,042
Non-GAAP income before provision for income taxes	47,932	65,753	75,630	77,724	267,039	65,505	73,734	67,724
Assumed non-GAAP income tax provision ⁽³⁾	9,586	13,151	15,126	15,545	53,408	16,049	18,065	16,592
Non-GAAP net income	\$ 38,346	\$ 52,602	\$ 60,504	\$ 62,179	\$ 213,631	\$ 49,456	\$ 55,669	\$ 51,132
Shares used in computing Non-GAAP diluted earnings per share	53,171,410	53,643,124	54,089,897	54,439,689	53,721,342	53,414,495	51,677,418	51,632,569
Non-GAAP diluted earnings per share	\$ 0.72	\$ 0.98	\$ 1.12	\$ 1.14	\$ 3.98	\$ 0.93	\$ 1.08	\$ 0.99

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

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

(3) Beginning in 2024, we now apply a non-GAAP effective tax rate of 24.5% when calculating non-GAAP net income and non-GAAP diluted earnings per share. For all periods in 2023, the tax impact related to non-GAAP adjustments is calculated under our historical non-GAAP effective tax rate of 20.0%.

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

(in thousands)	3 months ended	6 months ended	9 months ended	12 months ended	3 months ended	6 months ended	9 months ended
	3/31/2023	6/30/2023	9/30/2023	12/31/2023	3/31/2024	06/30/2024	09/30/2024
GAAP net cash provided by operating activities	21,806	75,002	202,983	199,634	64,619	118,435	222,386
GAAP operating cash flow margin	8.3 %	14.1 %	25.0 %	18.1 %	23.1 %	20.9 %	26.1 %
Non-GAAP adjustments:							
Less: purchase of property and equipment	(1,364)	(2,779)	(4,243)	(4,685)	(261)	(6,118)	(7,235)
Less: capitalized software and content development costs	(13,967)	(28,756)	(44,664)	(59,443)	(13,070)	(28,392)	(42,882)
Non-GAAP free cash flow	\$ 6,475	\$ 43,467	\$ 154,076	\$ 135,506	\$ 51,288	\$ 83,925	\$ 172,269
Non-GAAP free cash flow margin	2.5 %	8.2 %	19.0 %	12.3 %	18.4 %	14.8 %	20.2 %
Non-GAAP adjustments:							
Add: Security Incident-related cash flows	9,223	15,822	23,100	78,010	2,028	5,822	15,081
Non-GAAP adjusted free cash flow	\$ 15,698	\$ 59,289	\$ 177,176	\$ 213,516	\$ 53,316	\$ 89,747	\$ 187,350
Non-GAAP adjusted free cash flow margin	6.0 %	11.1 %	21.9 %	19.3 %	19.1 %	15.8 %	22.0 %

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Thank you

