



Blackbaud Investor Presentation

blackbaud®

TICKER: BLKB

May 5, 2020

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 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; the implementation of our new global enterprise resource planning system; uncertainty regarding the COVID-19 disruption 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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All Blackbaud product names appearing herein are trademarks or registered trademarks of Blackbaud, Inc. This presentation contains trade names, trademarks and service marks of other companies. The Company does not intend its use or display of other parties' trade names, trademarks and service marks to imply a relationship with, or endorsement or sponsorship of, these other parties.

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 measures, including non-GAAP organic revenue growth, non-GAAP organic revenue growth on a constant currency basis and non-GAAP organic recurring revenue growth, which Blackbaud believes provide useful information for evaluating the periodic growth of its business as well as growth on a consistent basis. Each measure of non-GAAP organic revenue growth excludes incremental acquisition-related revenue attributable to companies acquired in the current fiscal year. For companies acquired in the immediately preceding fiscal year, if any, each measure of non-GAAP organic revenue growth reflects presentation of full year incremental non-GAAP revenue derived from such companies as if they were combined throughout the prior period, and it includes the current period non-GAAP revenue attributable to those companies, as if there were no acquisition-related write-downs of acquired deferred revenue to fair value as required by GAAP. In addition, each measure of non-GAAP organic revenue growth excludes prior period revenue associated with divested businesses. The exclusion of the prior period revenue is intended to present the results of the divested businesses within the results of the combined company for the same period of time in both the prior and current periods. Blackbaud believes this presentation provides a more comparable representation of our current business' organic revenue growth and revenue run-rate. In these materials, Blackbaud is presenting the following unaudited information: historical recurring and total revenue for the three month period ended March 31, 2020, for the fiscal year ended December 31, 2019 and the interim periods therein; calculations for recurring revenue growth and total revenue growth for the period ended March 31, 2020; and calculations of non-GAAP organic recurring revenue growth, non-GAAP organic revenue growth and non-GAAP organic revenue growth on a constant currency basis for the same periods.

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.

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, 2019 and interim consolidated balance sheets for each of the quarters within fiscal 2020 and 2019; historical consolidated statements of comprehensive income for the fiscal year ended December 31, 2019 and interim consolidated statements of comprehensive income for each of the quarters within fiscal 2020 and 2019; historical consolidated statements of cash flows for the fiscal year ended December 31, 2019 and interim consolidated statements of cash flows for each of the interim year-to-date periods within fiscal 2020 and 2019; and historical non-GAAP financial information for the fiscal year ended December 31, 2019 and for each of the quarters within fiscal 2020 and 2019 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. In order to provide comparability between periods presented, certain previously reported historical financial information has been reclassified to conform to the presentation of the most recent reporting period, which is discussed in more detail with that information. In addition, certain of the unaudited historical financial statements have been adjusted for the effects of recently adopted accounting pronouncements, which are discussed in more detail with that information.

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 and non-GAAP organic recurring 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.

Initial actions taken in response to COVID-19

Actions taken through April created over \$300M of additional annualized borrowing capacity

- Our Board of Directors eliminated the payment of future quarterly cash dividends beginning with the second quarter of 2020
- Implemented several cost reduction measures:
 - Suspended the company funded 401(k) match until the end of the year
 - Put a temporary freeze on company hiring efforts
 - CEO announced he will forgo his paycheck for the foreseeable future
 - Restricted non-essential employee travel and put in place other operating cost reductions
- Converted certain cash compensation to equity-based awards:
 - Replaced employee's 2020 cash merit increases with a one-time restricted stock grant
 - Replaced cash bonus plans for 2020 with a one-time performance stock grant
- Employee relief measure providing all worldwide employees with a base salary less than \$75,000 with additional support in the form of a one-time bonus of \$1,000 USD
- Continuously evaluate further possible actions in order to respond quickly to rapidly changing conditions, if needed

Key Messages



The leader in
a large and
growing market



Highly
differentiated from
the competition



Executing a
clear four-point
growth strategy



01

Our Markets

02

Key
Differentiators

03

Strategy for
Growth

04

Financial
Strategy

Social good is a significant global sector



ARTS AND CULTURAL ORGANIZATIONS



HIGHER EDUCATION INSTITUTIONS



COMPANIES



INDIVIDUAL CHANGE AGENTS



FAITH COMMUNITIES



K-12 SCHOOLS



FOUNDATIONS



NONPROFITS



HEALTHCARE ORGANIZATIONS



Blackbaud is the world's leading cloud software company powering social good

\$100B+
raised, granted, and invested in their programming by our customers each year¹

Millions
of users across 100+ countries¹

80%
of the most influential nonprofits²

1 out of 3
Fortune 500 companies³

30 of 32
largest nonprofit hospitals⁴

93%
of higher education institutions with billion-dollar campaigns⁵

25
of the largest Catholic Dioceses in the US¹

150+
experts dedicated to arts and cultural organizations¹

A PROVEN LEADER



Among the Top 30
Largest Cloud Software
Providers Worldwide,
2019



Nonprofit CRM
Solution



Nonprofit Financial
Accounting Solution



Blackbaud's
K-12 Solutions

Source: (1) Internal Statistics, (2) Top 50 listed by The Street.com featured by MSN, (3) Fortune 500, (4) Becker's Hospital Review, (5) Council for Advancement and Support of Education

Driving significant value for our customers

\$10M

in contribution revenue
in first 30 days post-implementation
for Fellowship of Christian Athletes

+335%

Marshfield Clinic Health System
exceeded their fundraising goal for
their ALS Steps for Hope event



\$3.5M

raised by Brown University
in 24 hours, a 63% increase
in year over year fundraising
on #GivingTuesday

100%

participation in employee
volunteering program
achieved by Berkshire Bank

2 weeks

saved off month-end
close process for
Acero Schools in Chicago

+513%

growth in
sustaining donor
program for San Diego
Humane Society

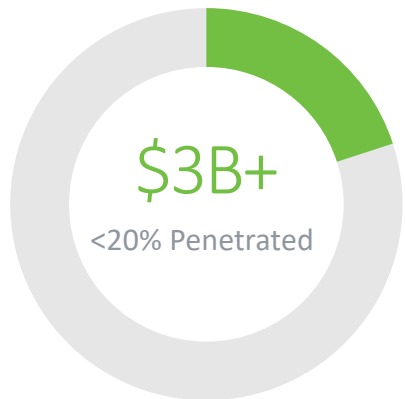
Sourced from Blackbaud [customer stories](#)

Substantial TAM with significant penetration opportunity

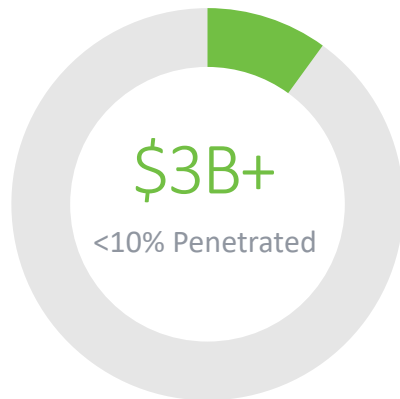
\$10B+
2020 TAM

<10%
Revenue Penetration

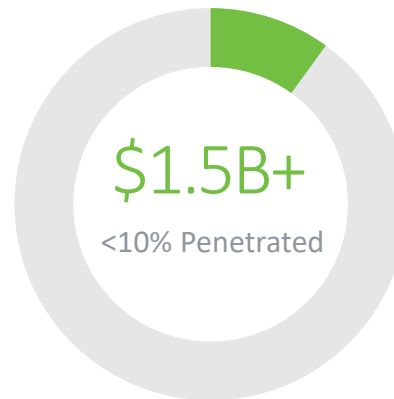
Fundraising, Relationship Management and Engagement



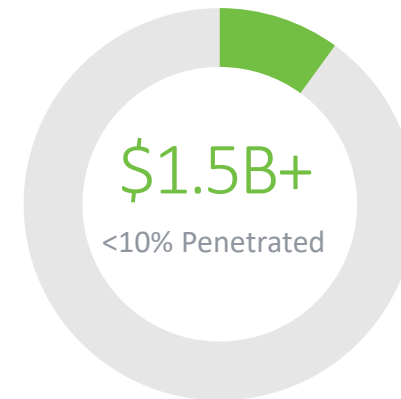
Payment Services



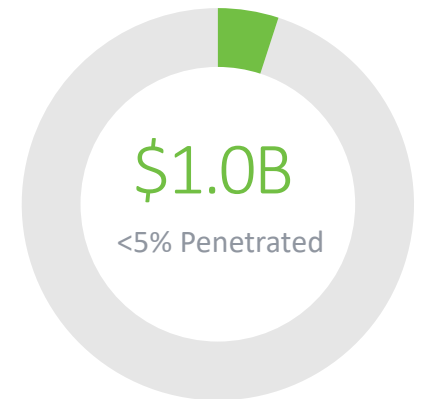
Financial Management, Grant and Award Management



Organizational and Program Management



Social Responsibility



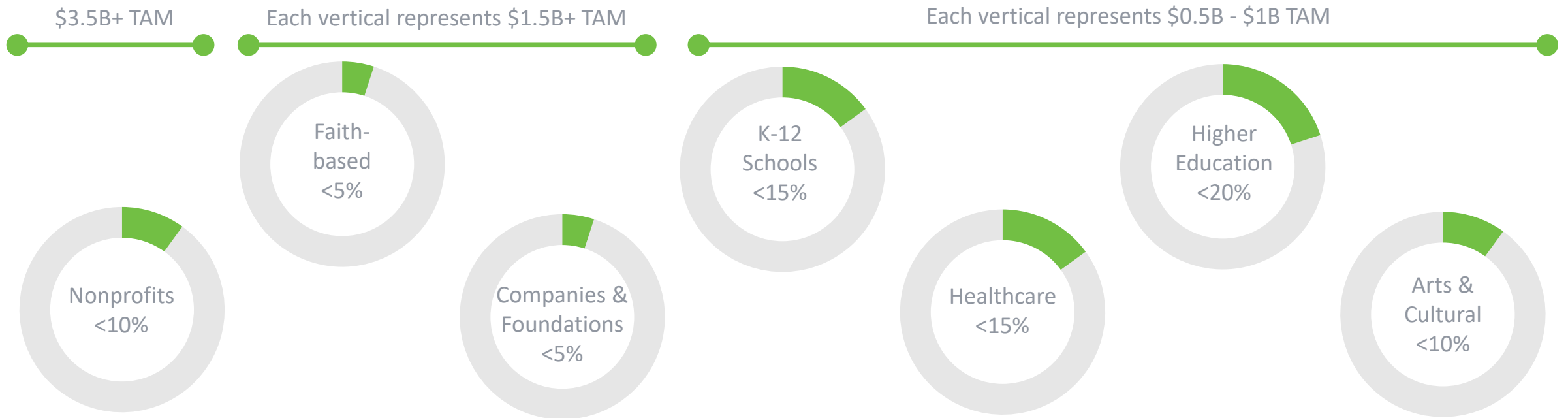
Sources: FY 2019 Blackbaud Revenue. TAM based on IRS data, Canadian Revenue Agency, Private School Universe, IPEDS, Dun & Bradstreet, HIMSS, Guidestar, Blackbaud internal data

Opportunity for growth extends across vertical markets

\$10B+
2020 TAM

<10%
Revenue Penetration

Revenue Penetration by Vertical



Sources: FY 2019 Blackbaud Revenue. TAM based on IRS data, Canadian Revenue Agency, Private School Universe, IPEDS, Dun & Bradstreet, HIMSS, Guidestar, Blackbaud internal data



01

Our Markets

02

Key
Differentiators

03

Strategy for
Growth

04

Financial
Strategy

The market's most comprehensive solutions for social good

Blackbaud is the **largest cloud software vendor** focused exclusively on the social good community¹

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

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

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

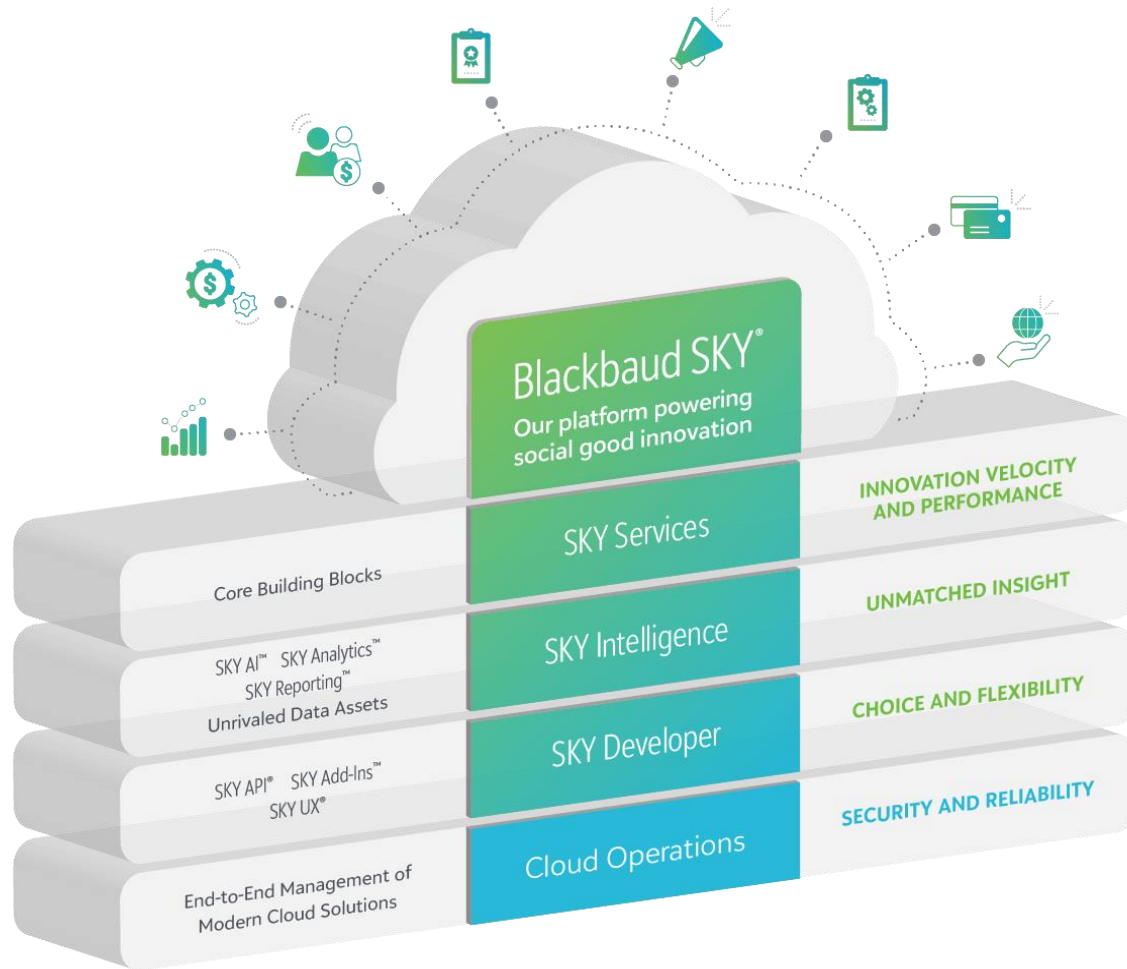
Strong balance sheet and cash flows to support strategic acquisitions and internal product development



OUR COMPETITORS

¹ IDC #29th largest cloud software provider worldwide

Built on industry leading cloud technology



Power of the Platform

Common shared components

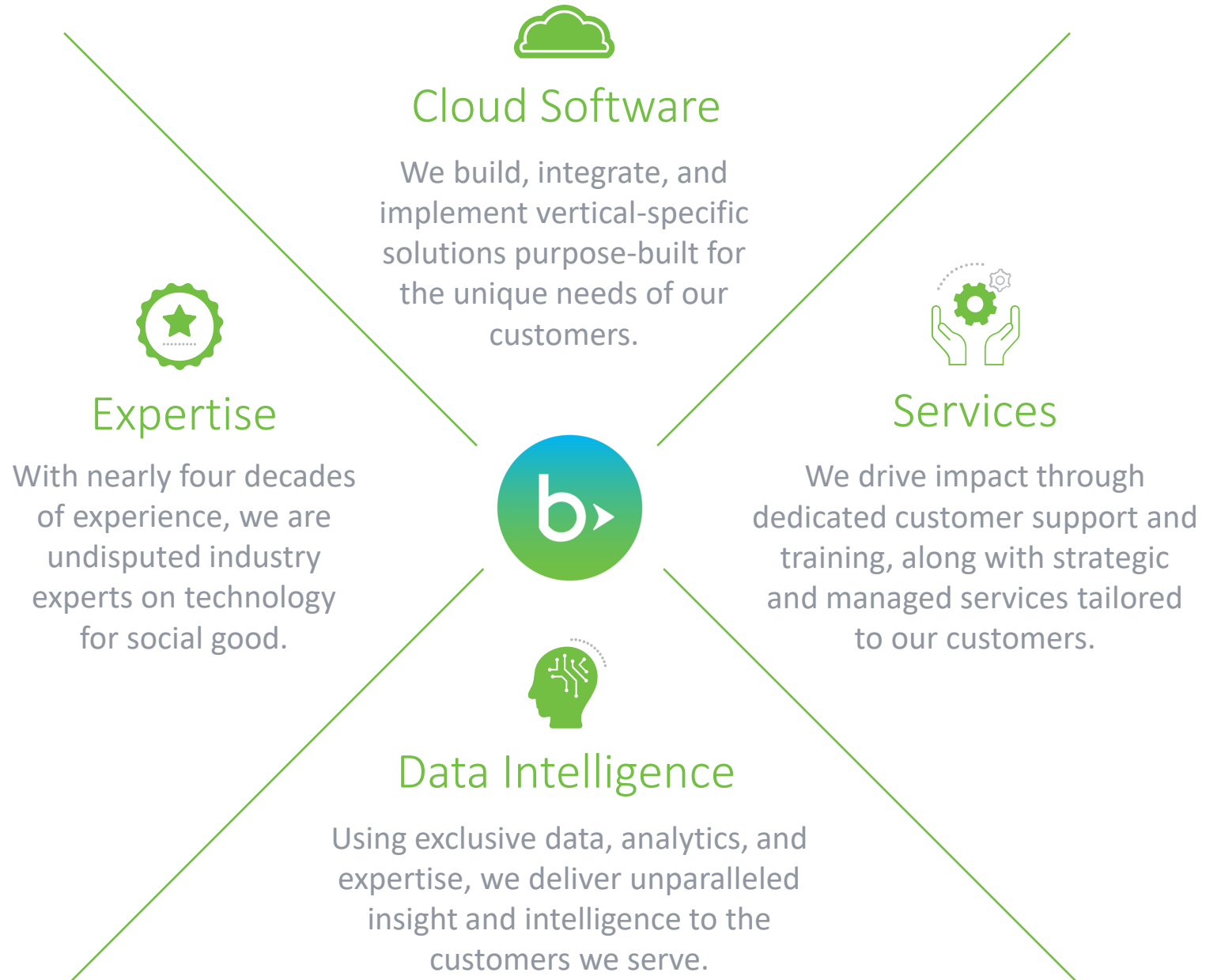
Continuous innovation and feature deployment

Accelerated time to market

Integrated capabilities

Enables a network effect

We make it simple with one accountable partner



A culture built on unmatched commitment to social good



We work as one.



We bring heart.



We invent possibilities.



We expect the best.



We give back.

4 out of 5

employees volunteer regularly

1 out of 4

employees serve on nonprofit boards

600+

engineers; largest R&D investment in the sector

A

MSCI ESG Rating

1 out of 3

employees belong to an employee-led affinity group

100,000

hours volunteered annually by employees

500+

employees worked previously for social good organizations

9 out of 10

employees say Blackbaud's mission was important to their decision to join the company

2

ISS Governance Quality Score

Over 2x

employees participating in matching gift program compared to U.S. national median

01

Our Markets

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Financial
Strategy

Executing a clear four-point growth strategy

01

Delight customers with innovative cloud solutions

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

02

Drive sales effectiveness

Improving sales productivity to drive recurring revenue growth

03

Expand total addressable market

Acquiring, building, and partnering into near adjacent markets

04

Improve operating efficiency

Executing a world-class operating model

Delight customers with innovative cloud solutions



Drive sales effectiveness



Scalable Model

Global sales operations
Customer success organization
Best-in-breed back office systems



Prescriptive Selling

Vertical go-to-market focus
Integrated clouds
Bifurcate hunters vs. farmers
Customer advisory councils



Go-to-Market Efficiency

Quality lead generation
Optimize market coverage
Productivity focus
Expand partner channel

Expand total addressable market

Acquiring, building, and partnering into near adjacent markets

\$4B+ in TAM added through acquisitions and new solution builds



2014



2015



2016



2017

Blackbaud Education Management Portfolio

Blackbaud Church Management™



2018



2019

✓ Expand TAM into near adjacencies

✓ Accelerate shift to the cloud

✓ Accelerate revenue growth

✓ Accretive to operating margins

Note: Criteria calls for investments to be accretive to operating margins over time.

Efficient, scalable operating model

Vertical Go-to-market

focus on customer needs and solution selling

Centers of Excellence

support functions with common systems, metrics, and measurement

Productivity Improvement

continuous improvement across all functions of the organization



01

Our Markets

02

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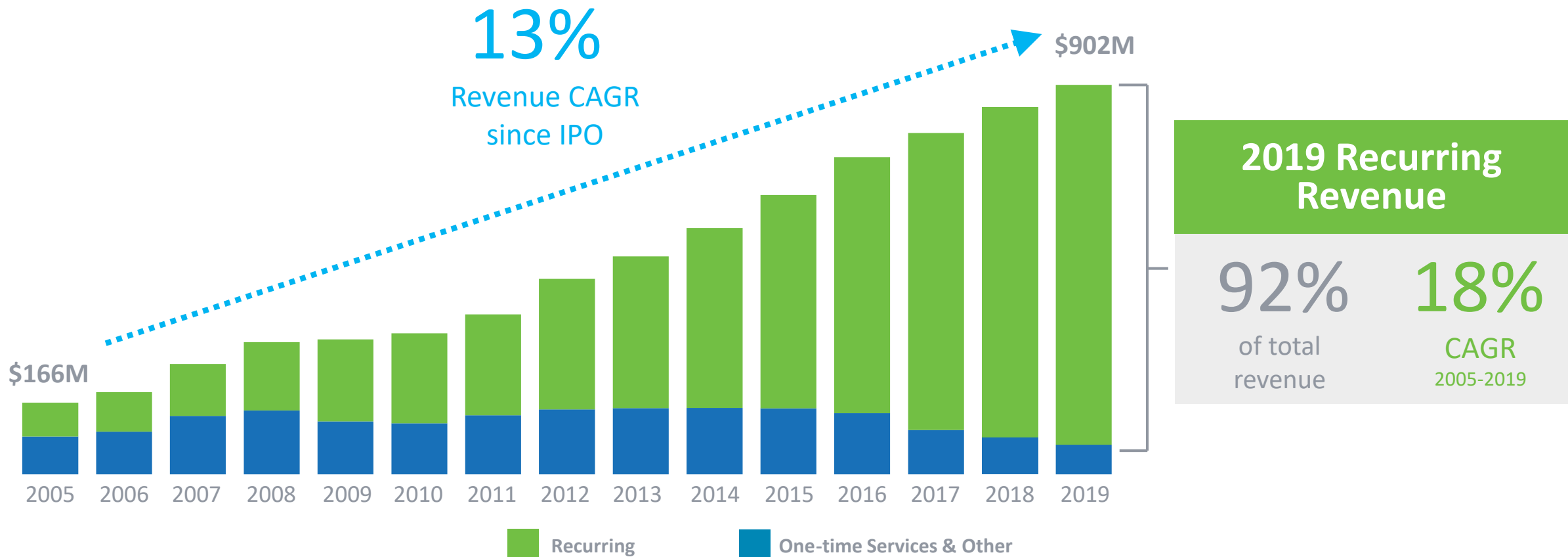
Strategy for
Growth

04

Financial
Strategy

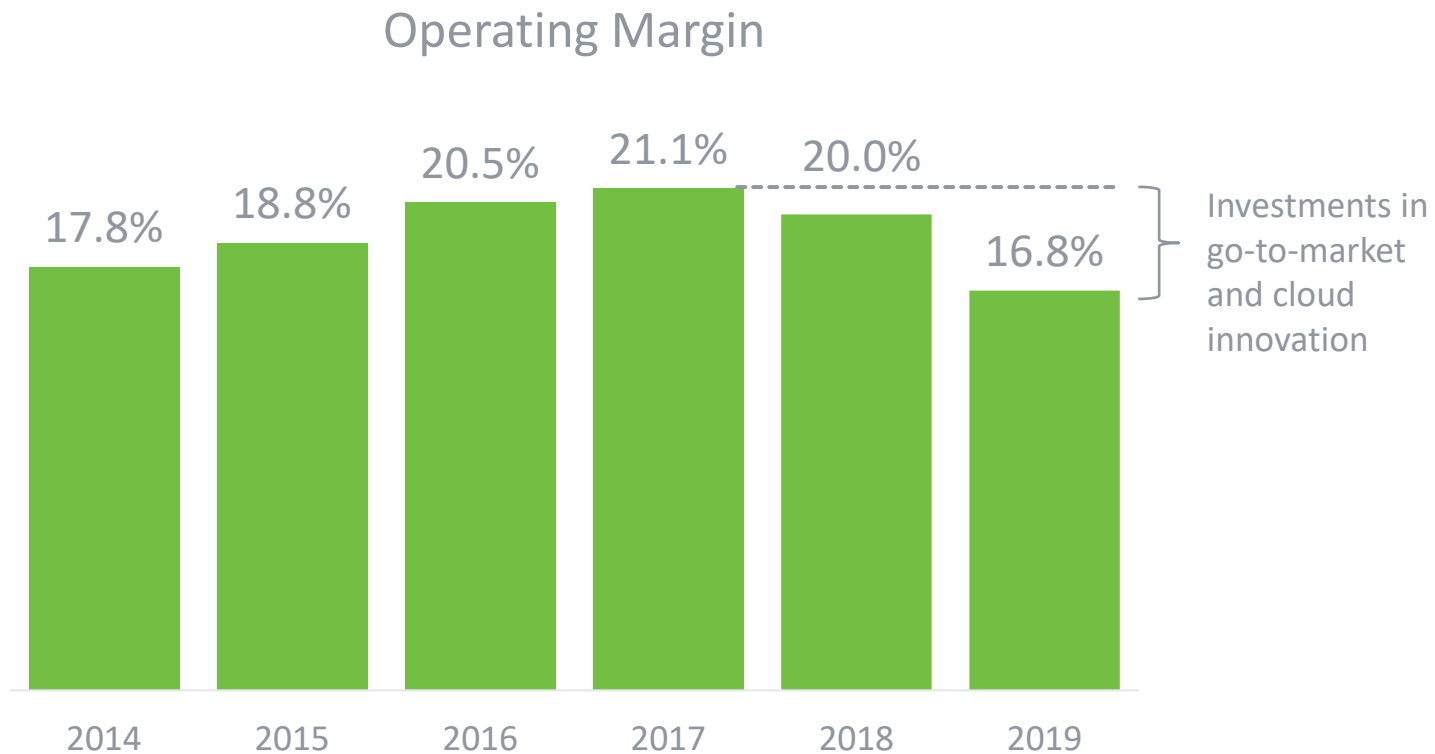
Business model drives recurring revenue

Continued shift in mix to over 90% recurring revenue greatly improves durability



Non-GAAP Revenue. 2016, 2017, 2018 and 2019 reflect adoption of ASC 606. Blackbaud's initial public offering was mid-year 2004; comparisons began with next full year of revenue

Balancing growth and profitability to support future growth



Operating Margin

Future expansion depends on the level of investments in:

Go-to-Market Model

Focusing on lead generation, market coverage and sales effectiveness

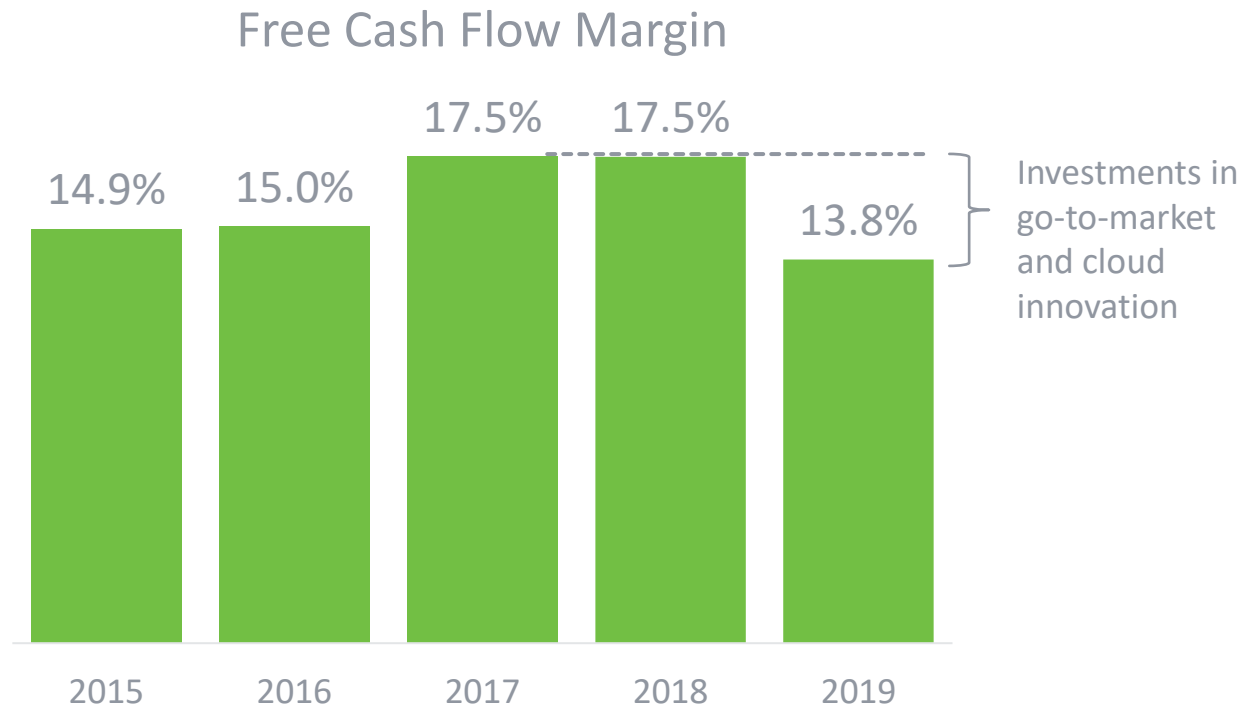
Engineering and Innovation

Invest in innovative cloud solutions

Migration to Public Cloud Infrastructure

Enhanced scalability and security

Generating healthy free cash flow margins inclusive of investments



Investments

\$34M	\$44M	\$39M	\$52M	\$58M
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Free Cash Flow Highlights

Strong free cash flow margins inclusive of investments:

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

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

Maintaining a disciplined capital strategy

GROWTH AND OPERATING INITIATIVES

- Capital investments consistent with solution roadmap and strategy
- Invest in operational efficiencies
- Strategic acquisitions

MAINTAIN STRONG BALANCE SHEET

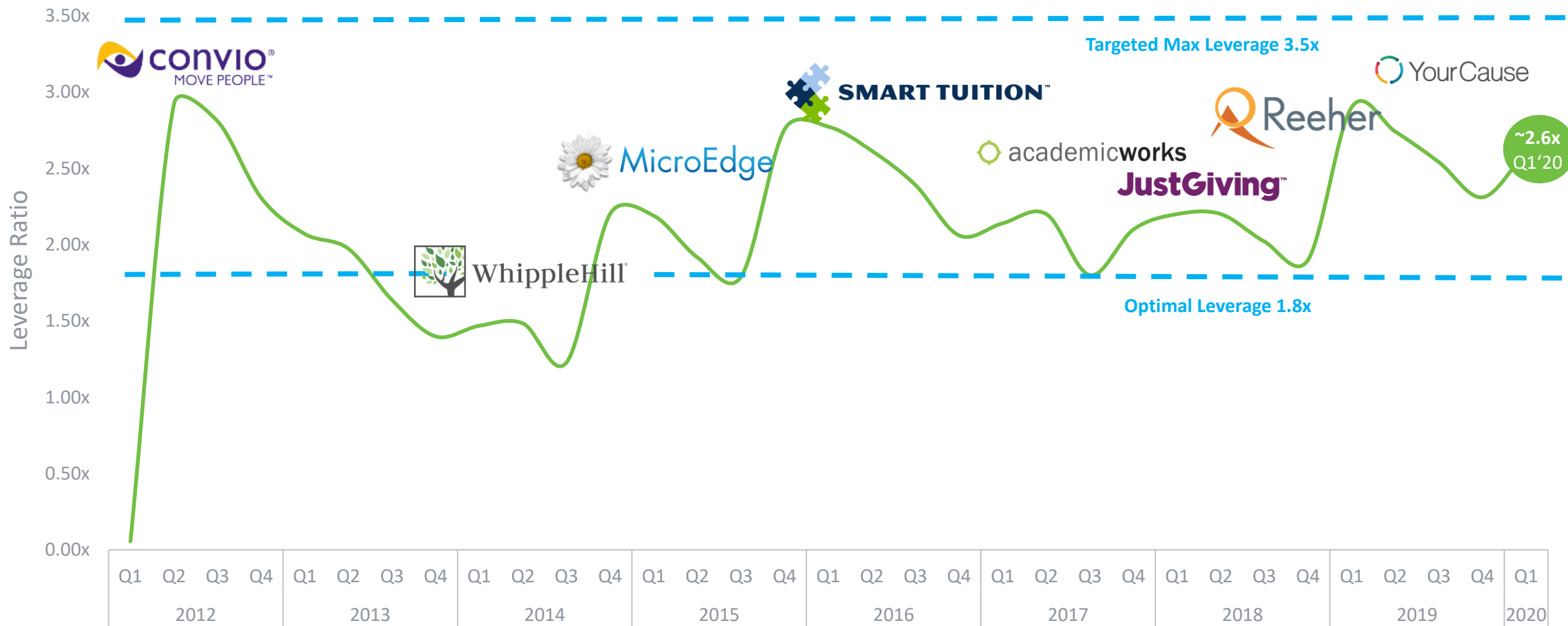
- Cash balances
- Debt maintenance
- Debt to EBITDA < 3.5X

RETURN OF CAPITAL TO SHAREHOLDERS*

- Option for share repurchase—\$50M authorized and available

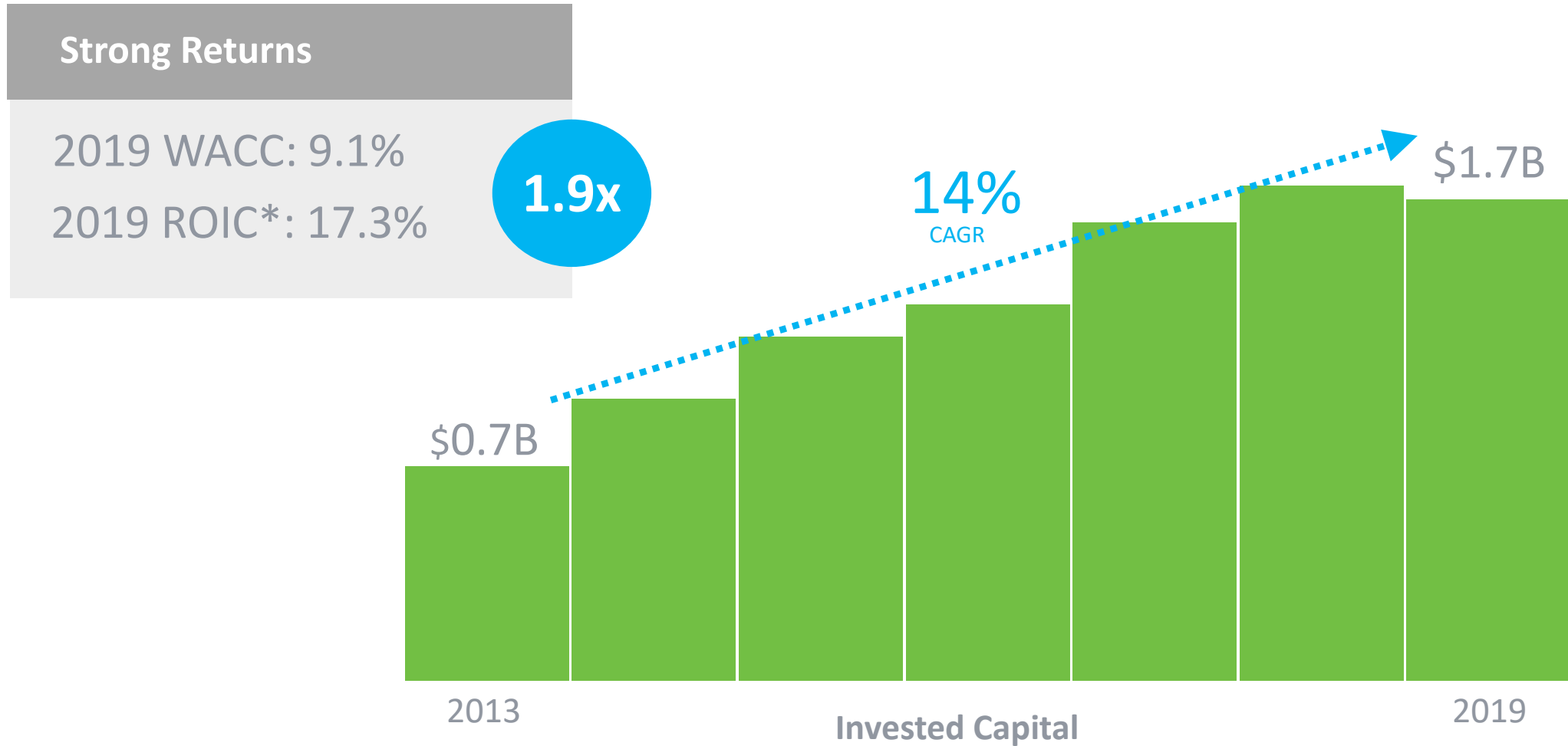
*Our Board of Directors may decide, in its sole discretion, at any time and for any reason, whether to repurchase our common stock.

Proven history of deleveraging



Note: Current covenant for leverage ratio is less than or equal to 3.5x. Calculation of debt over TTM EBITDA is based on credit agreement in place at the end of the respective reporting quarter.

Strong returns on a substantially larger investment base



*See appendix for detailed ROIC calculation; Decrease in invested capital from 2018 to 2019 driven by write-offs on the book value of fully amortized assets and facilities-related fixed assets as a part of our facilities optimization strategy

Improving shareholder value



Industry leading cloud software company with an unmatched commitment to the social good sector



Rapid innovation and M&A focused on expanding a large, stable, and growing addressable market



Executing a disciplined strategy focused on accelerating financial performance

Appendix

Return on Invested Capital (ROIC) Calculation

(dollars in millions)

	<u>2019</u>
Total Assets	\$1,993
Less: Restricted cash and customer funds receivable	(546)
Less: Non-interest bearing current liabilities	(435)
Add: Accumulated depreciation	104
Add: Accumulated amortization of software development	38
Add: Accumulated amortization of ROU assets ¹	20
Add: Accumulated amortization of intangibles	239
Less: Purchase price of 2019 acquisition ²	0
Add: Research & development (excluding stock-based compensation) 3Y Expense ³	267
Invested Capital	<u>\$1,679</u>
Income from Operations	27
Add: Rent/Lease expense	28
Add: Depreciation	15
Add: Amortization of software development	21
Add: Amortization of intangibles	50
EBITDA ⁴	<u>142</u>
Add: Stock-based compensation	59
Add: R&D Exp (excl SBC)	95
Adjusted EBITDA ⁴	<u>295</u>
Less: Implied taxes (assumes 20% tax rate)	(5)
Adjusted NOPAT ⁴	<u>\$290</u>
Return on invested capital (ROIC)	<u>17.3%</u>

(1) With adoption of ASC842 and subsequent addition of right-of-use assets on the balance sheet, value of leased assets is replaced

(2) 2019 acquisition excluded as it closed on first business day of the year

(3) Sum of previous three years R&D expense excluding any stock-based compensation

(4) Non-GAAP EBITDA, Adjusted EBITDA, Adjusted NOPAT

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

(dollars in thousands)	Three months ended		Year ended	Three months ended			
	03/31/2020	03/31/2019	12/31/2019	12/31/2019	09/30/2019	06/30/2019	03/31/2019
GAAP revenue	\$ 223,621	\$ 215,830	\$ 900,423	\$ 237,839	\$ 221,120	\$ 225,634	\$ 215,830
GAAP revenue growth	3.6%						
Add: Non-GAAP acquisition-related revenue ⁽¹⁾	—	716	1,932	241	259	716	716
Non-GAAP organic revenue ⁽²⁾	\$ 223,621	\$ 216,546	\$ 902,355	\$ 238,080	\$ 221,379	\$ 226,350	\$ 216,546
Non-GAAP organic revenue growth	3.3%						
Non-GAAP organic revenue ⁽²⁾	\$ 223,621	\$ 216,546	902,355	\$ 238,080	\$ 221,379	\$ 226,350	\$ 216,546
Foreign currency impact on Non-GAAP organic revenue ⁽³⁾	310	—	—	—	—	—	—
Non-GAAP organic revenue on constant currency basis ⁽³⁾	\$ 223,931	\$ 216,546	\$ 902,355	\$ 238,080	\$ 221,379	\$ 226,350	\$ 216,546
Non-GAAP organic revenue growth on constant currency basis	3.4%						
GAAP recurring revenue	204,867	198,094	831,609	219,820	205,227	208,468	198,094
GAAP recurring revenue growth	3.4%						
Add: Non-GAAP acquisition-related recurring revenue ⁽¹⁾	—	716	1,932	241	259	716	716
Non-GAAP organic recurring revenue	\$ 204,867	\$ 198,810	\$ 833,541	\$ 220,061	\$ 205,486	\$ 209,184	\$ 198,810
Non-GAAP organic recurring revenue growth	3.0%						

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

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

(3) To determine non-GAAP organic revenue growth on a constant currency basis, revenues from entities reporting in foreign currencies were translated to U.S. Dollars using the comparable 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.

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

Three Months Ended March 31, 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	Non-GAAP Adjustments Subtotal	Non-GAAP
Revenue										
Recurring	\$ 204,867	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	204,867
One-time services and other	18,754	—	—	—	—	—	—	—	—	18,754
Total revenue	223,621	—	—	—	—	—	—	—	—	223,621
Cost of revenue										
Cost of recurring	89,551	—	(470)	(10,402)	(32)	—	—	—	(10,904)	78,647
Cost of one-time services and other	15,314	—	(395)	(528)	—	—	—	—	(923)	14,391
Total cost of revenue	104,865	—	(865)	(10,930)	(32)	—	—	—	(11,827)	93,038
Gross profit	118,756	—	865	10,930	32	—	—	—	11,827	130,583
<i>Recurring gross margin</i>	56.3%								5.3%	61.6%
<i>One-time services and other gross margin</i>	18.3%								5.0%	23.3%
Total gross margin	53.1%								5.3%	58.4%
Operating expenses										
Sales, marketing and customer success	58,735	—	(2,478)	—	—	—	—	—	(2,478)	56,257
Research and development	24,977	—	(2,799)	—	—	—	—	—	(2,799)	22,178
General and administrative	25,855	—	(7,438)	—	(65)	32	(139)	—	(7,610)	18,245
Amortization	741	—	—	(741)	—	—	—	—	(741)	—
Restructuring	24	—	—	—	—	—	—	(24)	(24)	—
Total operating expenses	110,332	—	(12,715)	(741)	(65)	32	(139)	(24)	(13,652)	96,680
Income from operations	8,424	—	13,580	11,671	97	(32)	139	24	25,479	33,903
Total operating margin	3.8%								11.4%	15.2%
Net Income	\$ 4,639									\$ 24,651
Shares used in computing diluted earnings per share	48,456									48,456
Diluted earnings per share	\$ 0.10									\$ 0.51

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

Three Months Ended March 31, 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	Non-GAAP Adjustments Subtotal	Non-GAAP
Revenue										
Recurring	\$ 198,094	\$ 716	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	716	\$ 198,810
One-time services and other	17,736	—	—	—	—	—	—	—	—	17,736
Total revenue	215,830	716	—	—	—	—	—	—	716	216,546
Cost of revenue										
Cost of recurring	84,711	—	(512)	(10,850)	(554)	—	—	—	(11,916)	72,795
Cost of one-time services and other	14,572	—	(462)	(566)	(565)	—	—	—	(1,593)	12,979
Total cost of revenue	99,283	—	(974)	(11,416)	(1,119)	—	—	—	(13,509)	85,774
Gross profit	116,547	716	974	11,416	1,119	—	—	—	14,225	130,772
<i>Recurring gross margin</i>	<i>57.2%</i>								<i>6.2%</i>	<i>63.4%</i>
<i>One-time services and other gross margin</i>	<i>17.8%</i>								<i>9.0%</i>	<i>26.8%</i>
Total Gross Margin	54.0%								6.4%	60.4%
Operating expenses										
Sales, marketing and customer success	55,455	—	(2,911)	—	(870)	—	—	—	(3,781)	51,674
Research and development	28,461	—	(2,674)	—	(1,182)	—	—	—	(3,856)	24,605
General and administrative	27,117	—	(7,167)	—	(250)	(718)	(445)	—	(8,580)	18,537
Amortization	1,376	—	—	(1,376)	—	—	—	—	(1,376)	—
Restructuring	1,953	—	—	—	—	—	—	(1,953)	(1,953)	—
Total operating expenses	114,362	—	(12,752)	(1,376)	(2,302)	(718)	(445)	(1,953)	(19,546)	94,816
Income from operations	2,185	716	13,726	12,792	3,421	718	445	1,953	33,771	35,956
Total Operating Margin	1.0%								15.6%	16.6%
Net (loss) income	\$ (1,122)									\$ 24,652
Shares used in computing diluted (loss) earnings per share	47,517									48,051
Diluted (loss) earnings per share	\$ (0.02)									\$ 0.51

Historical Consolidated Balance Sheets (Unaudited)

(in thousands)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Assets					
Current assets:					
Cash and cash equivalents	\$ 25,187	\$ 32,654	\$ 29,084	\$ 31,810	\$ 24,972
Restricted cash due to customers	219,396	354,133	243,056	545,485	232,250
Accounts receivable, net of allowance	90,727	131,277	90,700	88,868	89,191
Customer funds receivable	5,474	5,349	7,784	524	1,205
Prepaid expenses and other current assets	73,099	76,728	75,321	67,852	81,004
Total current assets	413,883	600,141	445,945	734,539	428,622
Property and equipment, net	38,757	39,569	37,285	35,546	35,661
Operating lease right-of-use assets	110,485	107,165	110,840	104,400	100,568
Software development costs, net	81,231	87,880	94,055	101,302	105,594
Goodwill	634,845	632,269	630,644	634,088	631,033
Intangible assets, net	355,751	340,615	327,089	317,895	303,097
Other assets	67,461	66,319	64,154	65,193	66,346
Total assets	\$ 1,702,413	\$ 1,873,958	\$ 1,710,012	\$ 1,992,963	\$ 1,670,921
Liabilities and stockholders' equity					
Current liabilities:					
Trade accounts payable	\$ 32,640	\$ 35,749	\$ 34,169	\$ 47,676	\$ 44,510
Accrued expenses and other current liabilities	54,983	60,514	63,947	73,317	45,781
Due to customers	224,870	359,482	250,840	546,009	233,455
Debt, current portion	7,500	7,500	7,500	7,500	10,351
Deferred revenue, current portion	281,082	327,299	320,982	314,335	288,682
Total current liabilities	601,075	790,544	677,438	988,837	622,779
Debt, net of current portion	576,068	553,812	495,556	459,600	520,576
Deferred tax liability	48,050	48,658	47,237	44,594	43,286
Deferred revenue, net of current portion	4,290	2,324	2,014	1,802	1,715
Operating lease liabilities, net of current portion	102,880	100,116	100,133	95,624	91,235
Other liabilities	4,302	5,802	6,177	5,742	10,937
Total liabilities	1,336,665	1,501,256	1,328,555	1,596,199	1,290,528
Commitments and contingencies					
Stockholders' equity:					
Preferred stock	—	—	—	—	—
Common stock, \$0.001 par value	60	60	60	60	61
Additional paid-in capital	412,937	427,950	442,803	457,804	471,344
Treasury stock, at cost	(285,284)	(286,644)	(287,163)	(290,665)	(310,447)
Accumulated other comprehensive loss	(1,452)	(9,409)	(13,665)	(5,290)	(14,140)
Retained earnings	239,487	240,745	239,422	234,855	233,575
Total stockholders' equity	365,748	372,702	381,457	396,764	380,393
Total liabilities and stockholders' equity	\$ 1,702,413	\$ 1,873,958	\$ 1,710,012	\$ 1,992,963	\$ 1,670,921

Historical Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands, except share and per share amounts)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020
Revenue						
Recurring	\$ 198,094	\$ 208,468	\$ 205,227	\$ 219,820	\$ 831,609	\$ 204,867
One-time services and other	17,736	17,166	15,893	18,019	68,814	18,754
Total revenue	215,830	225,634	221,120	237,839	900,423	223,621
Cost of revenue						
Cost of recurring	84,711	86,657	87,645	98,975	357,988	89,551
Cost of one-time services and other	14,572	14,150	14,152	17,562	60,436	15,314
Total cost of revenue	99,283	100,807	101,797	116,537	418,424	104,865
Gross profit	116,547	124,827	119,323	121,302	481,999	118,756
Operating expenses						
Sales, marketing and customer success	55,455	55,009	55,499	58,189	224,152	58,735
Research and development	28,461	25,902	25,941	25,860	106,164	24,977
General and administrative	27,117	28,543	28,897	28,857	113,414	25,855
Amortization	1,376	1,152	703	2,085	5,316	741
Restructuring	1,953	730	400	2,725	5,808	24
Total operating expenses	114,362	111,336	111,440	117,716	454,854	110,332
Income from operations	2,185	13,491	7,883	3,586	27,145	8,424
Interest expense	(5,323)	(5,799)	(5,111)	(4,385)	(20,618)	(4,159)
Other income (expense), net	182	2,181	2,158	(463)	4,058	1,070
Income before (benefit) provision for income taxes	(2,956)	9,873	4,930	(1,262)	10,585	5,335
Income tax (benefit) provision	(1,834)	2,733	364	(2,586)	(1,323)	696
Net (loss) income	\$ (1,122)	\$ 7,140	\$ 4,566	\$ 1,324	\$ 11,908	\$ 4,639
(Loss) earnings per share						
Basic	\$ (0.02)	\$ 0.15	\$ 0.10	\$ 0.03	\$ 0.25	\$ 0.10
Diluted	\$ (0.02)	\$ 0.15	\$ 0.09	\$ 0.03	\$ 0.25	\$ 0.10
Common shares and equivalents outstanding						
Basic weighted average shares	47,516,912	47,714,621	47,757,769	47,777,635	47,695,383	48,036,300
Diluted weighted average shares	47,516,912	48,160,684	48,464,529	48,572,575	48,312,271	48,455,751
Other comprehensive income (loss)						
Foreign currency translation adjustment	4,590	(6,018)	(3,893)	7,962	2,641	(5,728)
Unrealized (loss) gain on derivative instruments, net of tax	(932)	(1,939)	(363)	413	(2,821)	(3,122)
Total other comprehensive income (loss)	3,658	(7,957)	(4,256)	8,375	(180)	(8,850)
Comprehensive income (loss)	\$ 2,536	\$ (817)	\$ 310	\$ 9,699	\$ 11,728	\$ (4,211)

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

Historical Consolidated Statements of Cash Flows (Unaudited)

(in thousands)	3 months ended 03/31/2019	6 months ended 06/30/2019	9 months ended 09/30/2019	12 months ended 12/31/2019	3 months ended 03/31/2020
Cash flows from operating activities					
Net (loss) income	\$ (1,122)	\$ 6,018	\$ 10,584	\$ 11,908	\$ 4,639
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Depreciation and amortization	21,724	43,113	63,998	85,693	21,804
Provision for doubtful accounts and sales returns	2,032	4,646	6,192	8,725	2,488
Stock-based compensation expense	13,726	28,755	43,621	58,633	13,580
Deferred taxes	(1,155)	465	(75)	(3,600)	954
Amortization of deferred financing costs and discount	188	376	564	752	188
Other non-cash adjustments	1,820	1,982	2,047	4,906	102
Changes in operating assets and liabilities, net of acquisition of businesses:					
Accounts receivable	(1,797)	(45,071)	(6,375)	(6,569)	(3,876)
Prepaid expenses and other assets	(12,107)	(12,725)	(5,129)	6,383	(5,303)
Trade accounts payable	(3,624)	216	(74)	12,900	(4,021)
Accrued expenses and other liabilities	(11,690)	(9,014)	(13,592)	(9,718)	(31,694)
Deferred revenue	(18,006)	26,328	20,363	12,464	(23,364)
Net cash (used in) provided by operating activities	(10,011)	45,089	122,124	182,477	(24,503)
Cash flows from investing activities					
Purchase of property and equipment	(1,152)	(6,375)	(9,597)	(11,492)	(2,867)
Capitalized software development costs	(11,319)	(23,206)	(34,513)	(46,874)	(10,937)
Purchase of net assets of acquired companies, net of cash and restricted cash acquired	(109,386)	(109,386)	(109,353)	(109,353)	—
Other investing activities	—	500	500	500	—
Net cash used in investing activities	(121,857)	(138,467)	(152,963)	(167,219)	(13,804)
Cash flows from financing activities					
Proceeds from issuance of debt	271,500	329,100	371,200	424,000	144,700
Payments on debt	(75,175)	(155,150)	(255,625)	(344,500)	(86,075)
Employee taxes paid for withheld shares upon equity award settlement	(18,400)	(19,760)	(20,279)	(23,781)	(19,782)
Proceeds from exercise of stock options	3	6	7	7	1
Change in due to customers	(242,885)	(107,808)	(215,942)	77,793	(311,095)
Customer funds receivable	(3,573)	(3,741)	(6,283)	1,301	(733)
Dividend payments to stockholders	(5,901)	(11,802)	(17,705)	(23,607)	(5,960)
Net cash (used in) provided by financing activities	(74,431)	30,845	(144,627)	111,213	(278,944)
Effect of exchange rate on cash, cash equivalents, and restricted cash	1,036	(526)	(2,240)	978	(2,822)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(205,263)	(63,059)	(177,706)	127,449	(320,073)
Cash, cash equivalents, and restricted cash, beginning of period	449,846	449,846	449,846	449,846	577,295
Cash, cash equivalents, and restricted cash, end of period	\$ 244,583	\$ 386,787	\$ 272,140	\$ 577,295	\$ 257,222

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

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

(in thousands, except share and per share amounts)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020
GAAP Revenue	\$ 215,830	\$ 225,634	\$ 221,120	\$ 237,839	\$ 900,423	\$ 223,621
Non-GAAP adjustments:						
Add: Acquisition-related deferred revenue write-down	716	716	259	241	1,932	—
Non-GAAP revenue	\$ 216,546	\$ 226,350	\$ 221,379	\$ 238,080	\$ 902,355	\$ 223,621
GAAP gross profit	\$ 116,547	\$ 124,827	\$ 119,323	\$ 121,302	\$ 481,999	\$ 118,756
GAAP gross margin	54%	55.3%	54%	51%	53.5%	53.1%
Non-GAAP adjustments:						
Add: Acquisition-related deferred revenue write-down	716	716	259	241	1,932	—
Add: Stock-based compensation expense	974	791	784	817	3,366	865
Add: Amortization of intangibles from business combinations	11,416	11,329	11,225	10,799	44,769	10,930
Add: Employee severance	1,119	(4)	19	87	1,221	32
Subtotal	14,225	12,832	12,287	11,944	51,288	11,827
Non-GAAP gross profit	\$ 130,772	\$ 137,659	\$ 131,610	\$ 133,246	\$ 533,287	\$ 130,583
Non-GAAP gross margin	60.4%	60.8%	59.5%	56.0%	59.1%	58.4%
GAAP income from operations	\$ 2,185	\$ 13,491	\$ 7,883	\$ 3,586	\$ 27,145	\$ 8,424
GAAP operating margin	1.0%	6.0%	3.6%	1.5%	3.0%	3.8%
Non-GAAP adjustments:						
Add: Acquisition-related deferred revenue write-down	716	716	259	241	1,932	—
Add: Stock-based compensation expense	13,726	15,029	14,866	15,012	58,633	13,580
Add: Amortization of intangibles from business combinations	12,792	12,481	11,928	12,884	50,085	11,671
Add: Employee severance	3,421	191	48	765	4,425	97
Add: Acquisition-related integration costs	718	464	1,024	189	2,395	(32)
Add: Acquisition-related expenses	445	365	220	132	1,162	139
Add: Restructuring costs	1,953	730	400	2,725	5,808	24
Subtotal	33,771	29,976	28,745	31,948	124,440	25,479
Non-GAAP income from operations	\$ 35,956	\$ 43,467	\$ 36,628	\$ 35,534	\$ 151,585	\$ 33,903
Non-GAAP operating margin	16.6%	19.2%	16.5%	14.9%	16.8%	15.2%
GAAP (loss) income before (benefit) provision for income taxes	\$ (2,956)	\$ 9,873	\$ 4,930	\$ (1,262)	\$ 10,585	\$ 5,335
GAAP net (loss) income	\$ (1,122)	\$ 7,140	\$ 4,566	\$ 1,324	\$ 11,908	\$ 4,639
Shares used in computing GAAP diluted (loss) earnings per share	47,516,912	48,160,684	48,464,529	48,572,575	48,312,271	48,455,751
GAAP diluted (loss) earnings per share	\$ (0.02)	\$ 0.15	\$ 0.09	\$ 0.03	\$ 0.25	\$ 0.10
Non-GAAP adjustments:						
Add: GAAP income tax (benefit) provision	(1,834)	2,733	364	(2,586)	(1,323)	696
Add: Total Non-GAAP adjustments affecting income from operations	33,771	29,976	28,745	31,948	124,440	25,479
Non-GAAP income before provision for income taxes	30,815	39,849	33,675	30,686	135,025	30,814
Assumed non-GAAP income tax provision ⁽²⁾	6,163	7,970	6,735	6,137	27,005	6,163
Non-GAAP net income	\$ 24,652	\$ 31,879	\$ 26,940	\$ 24,549	\$ 108,020	\$ 24,651
Shares used in computing Non-GAAP diluted earnings per share	48,051,289	48,160,684	48,464,529	48,572,575	48,312,271	48,455,751
Non-GAAP diluted earnings per share	\$ 0.51	\$ 0.66	\$ 0.56	\$ 0.51	\$ 2.24	\$ 0.51

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

Note 2: We apply a non-GAAP effective tax rate of 20.0% when calculating non-GAAP net income and non-GAAP diluted earnings per share.

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

(in thousands)	3 months ended 3/31/2019	6 months ended 6/30/2019	9 months ended 9/30/2019	12 months ended 12/31/2019	3 months ended 3/31/2020
GAAP net cash (used in) provided by operating activities	(10,011)	45,089	122,124	182,477	(24,503)
Less: purchase of property and equipment	(1,152)	(6,375)	(9,597)	(11,492)	(2,867)
Less: capitalized software development costs	(11,319)	(23,206)	(34,513)	(46,874)	(10,937)
Non-GAAP free cash flow	\$ (22,482)	\$ 15,508	\$ 78,014	\$ 124,111	\$ (38,307)