

blackbaud®



Blackbaud Investor Presentation

Ticker: BLKB

November 1, 2022

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; 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 and cybersecurity and data protection risks and related liabilities; the implementation of our new global enterprise resource planning system; uncertainty regarding the COVID-19 disruption 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, 2022, for the fiscal year ended December 31, 2021 and the interim periods therein; calculations for recurring revenue growth and total revenue growth for the nine month period ended September 30, 2022 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 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 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, 2021 and interim consolidated balance sheets for each of the quarters within fiscal 2022 and 2021; historical consolidated statements of comprehensive income for the fiscal year ended December 31, 2021 and interim consolidated statements of comprehensive income for each of the quarters within fiscal 2022 and 2021; historical consolidated statements of cash flows for the fiscal year ended December 31, 2021 and interim consolidated statements of cash flows for each of the interim year-to-date periods within fiscal 2022 and 2021; and historical non-GAAP financial information for the fiscal year ended December 31, 2021 and for each of the quarters within fiscal 2022 and 2021 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 At-a-Glance

- World's leading cloud software company powering social good
- Portfolio tailored to the unique needs of vertical markets, with solutions for fundraising and CRM, marketing, advocacy, peer-to-peer fundraising, CSR and ESG, school management, ticketing, grantmaking, financial management, payment processing and analytics
- Founded in 1981 with initial public offering in 2004 – serving the industry for over four decades with demonstrated track record
- Remote-first company headquartered in Charleston, South Carolina

\$1B+

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 2022 financial guidance. Financial goals represent full year targets.
² Customers with contractual billing arrangements in 2021

Key messages

1

Clear leader in a large, resilient and growing global market

2

Rapidly innovating on the most comprehensive solution set of purpose-built and mission critical cloud software and services in the market

3

Executing strategy driving accelerated revenue growth and significant margin expansion

4

Resilient and durable business model with strong cash generation and balanced capital allocation approach

Goal to achieve mid to high-single digit organic revenue growth and 40%+ using a Rule of 40 framework



01

Our Markets

02

Key Differentiators

03

Strategy for Growth

04

Financial Strategy

Social good is a resilient, significant global sector

-  Arts and Cultural Organizations
-  Companies
-  Faith Communities
-  Foundations
-  Healthcare Organizations
-  Higher Education Institutions
-  Individual Change Agents
-  K-12 Schools
-  Nonprofit

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

\$100+ Billion

raised, granted and invested annually by our customers¹

Millions

of users and supporters across 100+ countries



¹ Internal statistics

Driving significant value 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 chili cook-off powered by JustGiving® from Blackbaud® Peer-to-Peer Fundraising



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL



Archbishop
Moeller
High School



+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

200

new memberships added within one year of Blackbaud Altru® adoption

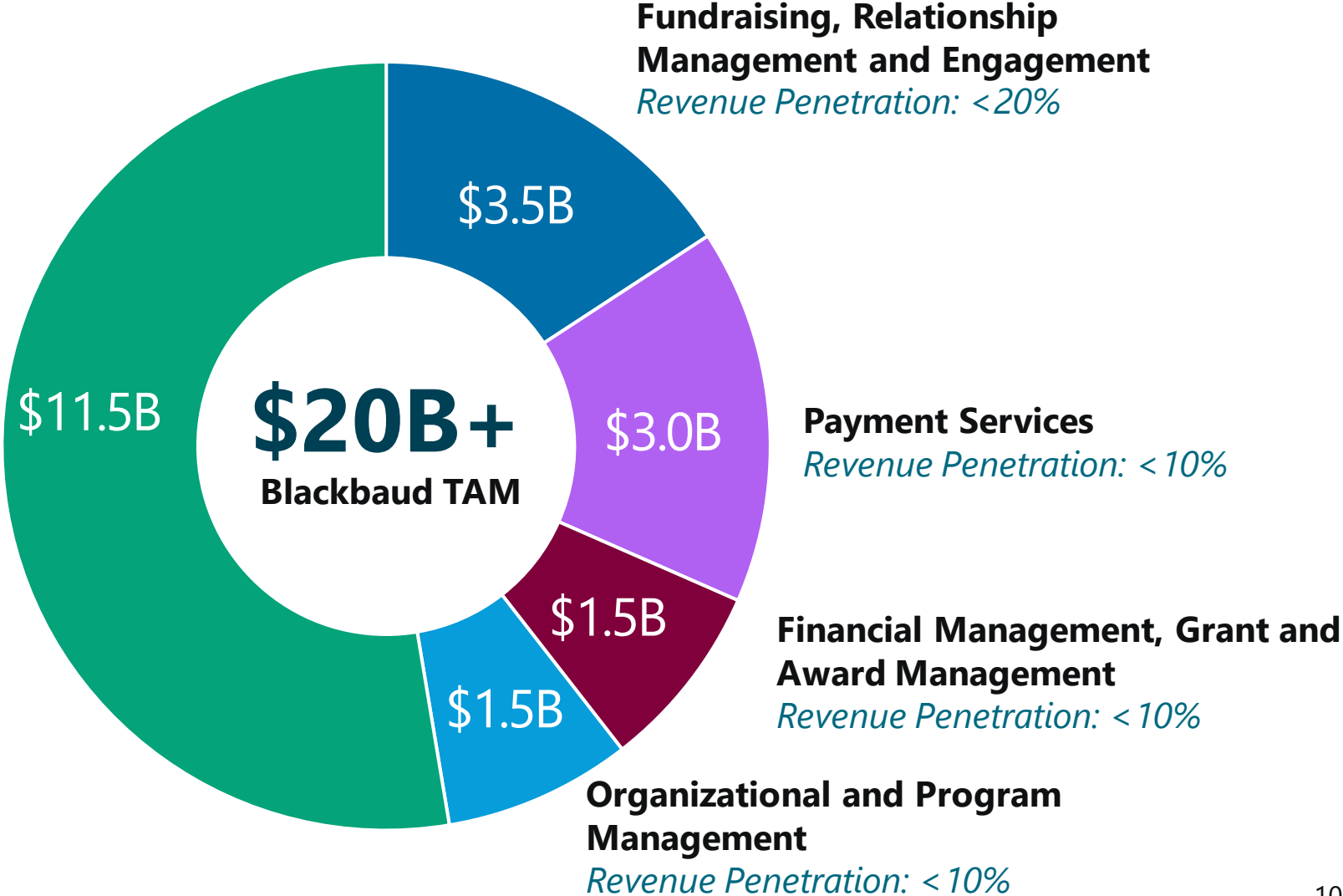


Large and underpenetrated total addressable market

2x increase

in Blackbaud's TAM with expanded opportunity in CSR and ESG through recent acquisition of EVERFI

Corporate Social Responsibility and ESG
Revenue Penetration: <5%





01

Our Markets

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Key Differentiators

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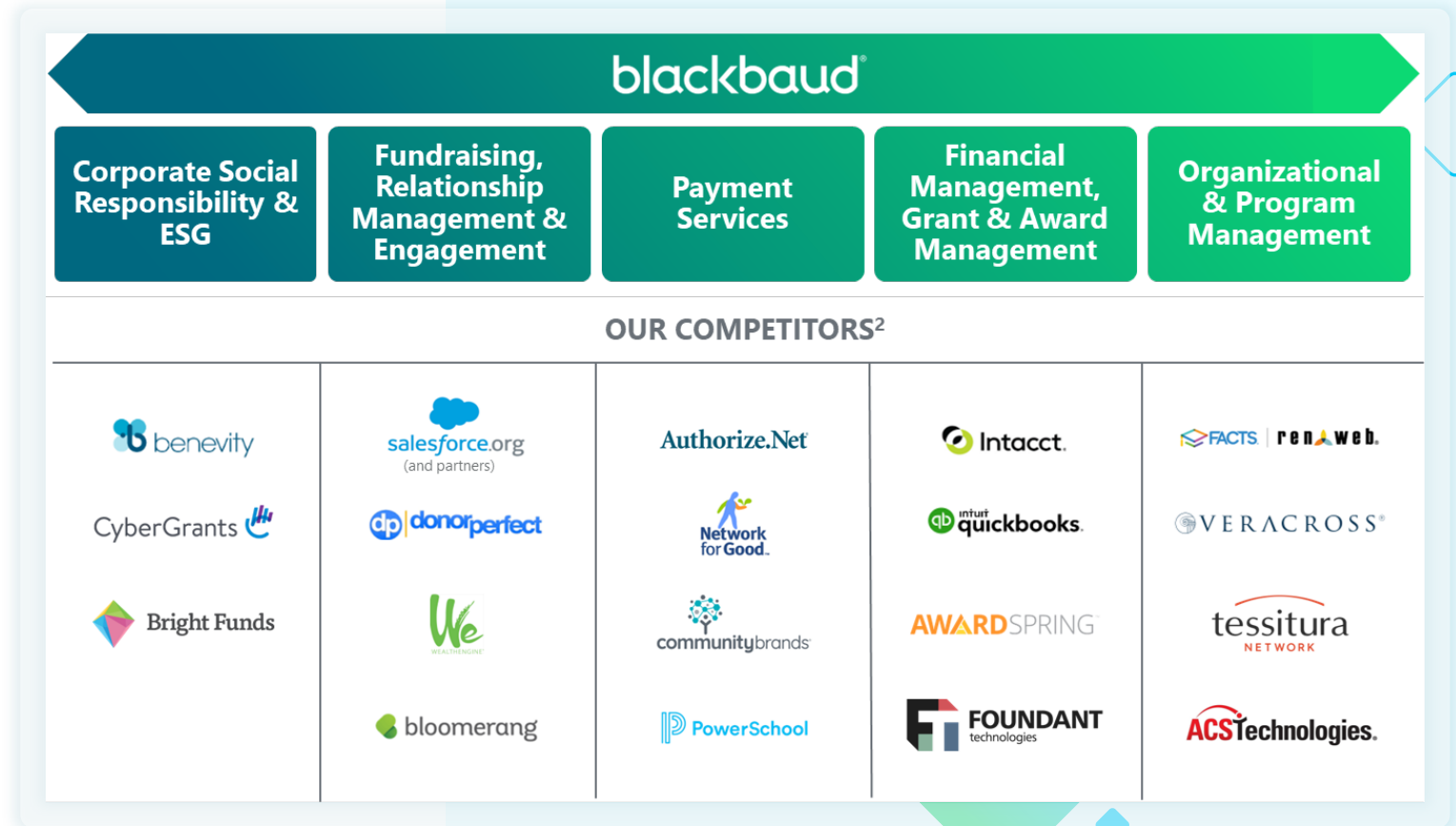
Strategy for Growth

04

Financial Strategy

Most comprehensive solution set 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 **91% customer retention**
- **Strong balance sheet and cash flows** to support strategic acquisitions and internal product development

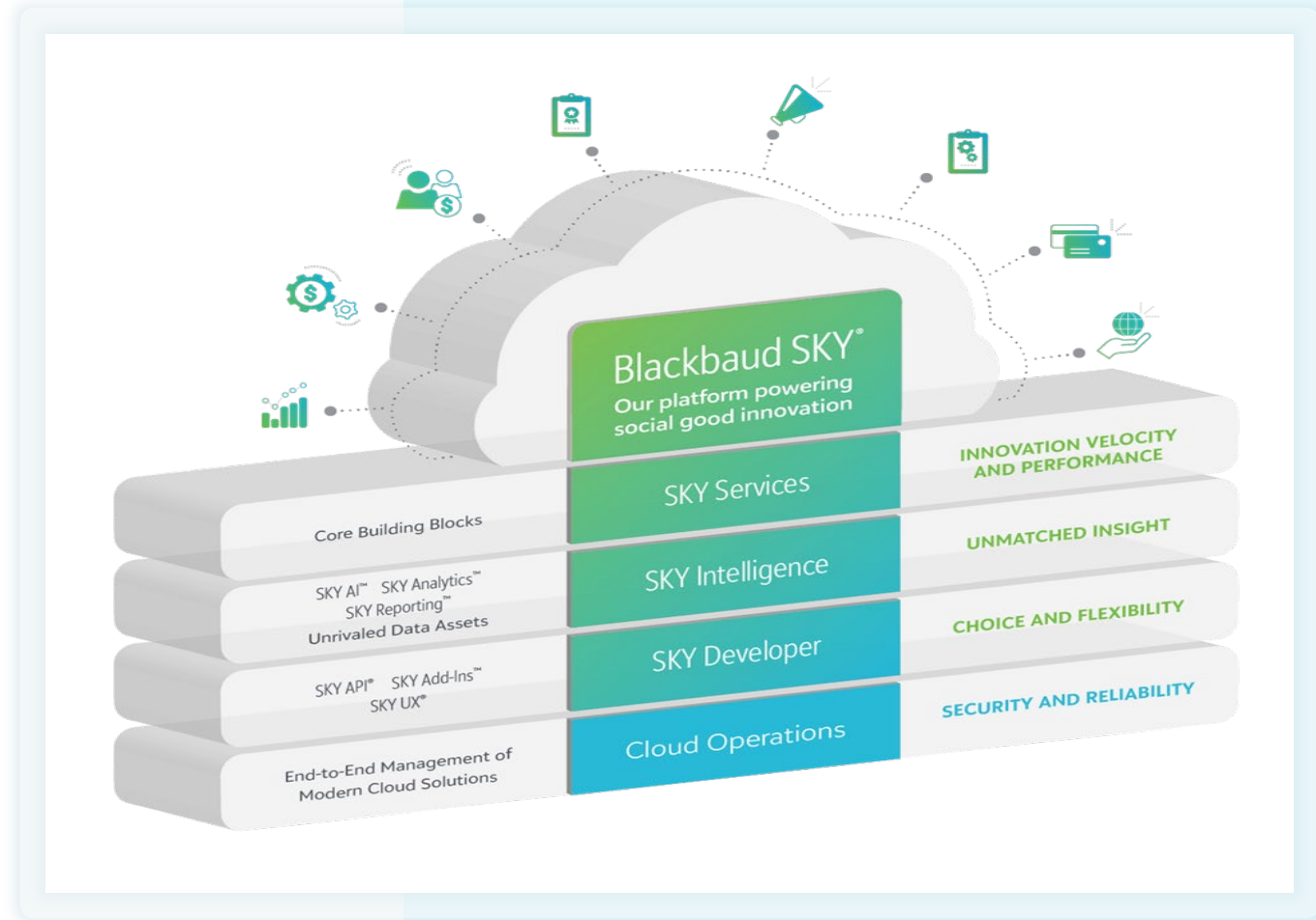


¹ IDC Top 40 largest cloud software provider worldwide, 2020

² Informed by internal competitive intelligence and analysis

Built on industry leading cloud technology

- 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



Cloud Software

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



Services

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



Data Intelligence

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



Expertise

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

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.

7 out of 10

employees volunteer
logging over 100,000 hours
annually

1 out of 5

employees serve on
nonprofit boards

600+

engineers; largest R&D
investment in the sector

30%

of open job postings filled
by existing employees
through promotion and
growth opportunities

500+

employees worked
previously for social good
organizations

9 out of 10

employees say that it is
important to them that
Blackbaud operates in a
socially responsible manner

1 out of 3

employees belong to an
employee-led affinity
group

1 out of 4

employees participate in
our matching gift program

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Strategy for Growth

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Financial Strategy

Growth driven by a four-point strategy

1

Expand total addressable market

Acquiring, building and partnering into near adjacent markets and expanding existing ones

2

Lead with world class teams and operations

Executing a world-class operating model on a journey to improve company performance as measured by 'Rule of 40'

3

Delight customers with innovative cloud solutions

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

4

Focus on employees, culture and ESG initiatives

Continue to evolve our focus on people, culture and corporate initiatives

Expand total addressable market

Acquiring, building and partnering into near adjacent markets

\$14B+

in TAM added through
acquisitions and new
solution builds

2014	+	 WhippleHill
2014	+	 MicroEdge
2015	+	 SMART TUITION™
2016	+	 Attentive.ly
2017	+	 academicworks
2017	+	 JustGiving™
2018	+	 Reeher
2019	+	 YourCause
2021	+	 EVERFI

Acquisition strategy

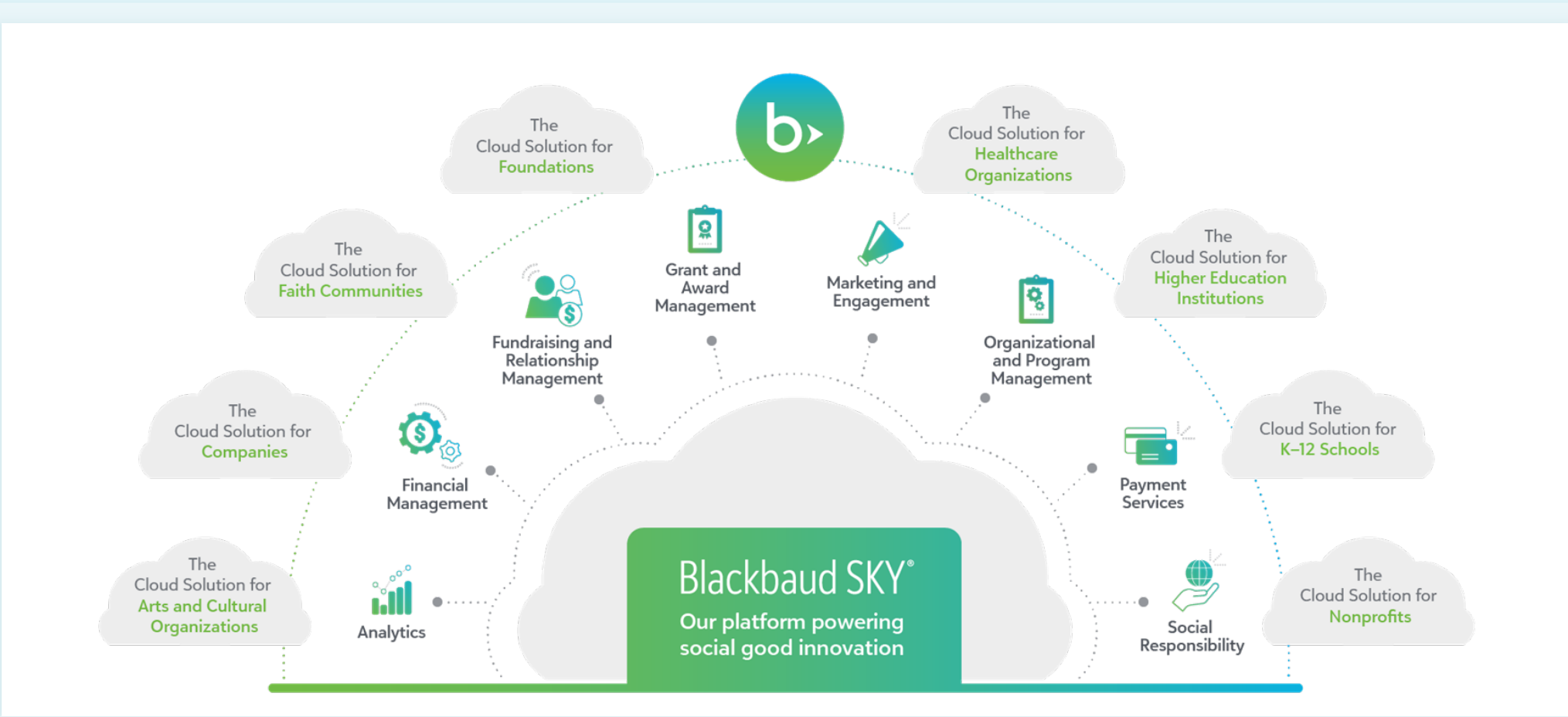
- ✓ Expand TAM into near adjacencies
- ✓ Accelerate shift to the cloud
- ✓ Accelerate revenue growth
- ✓ Accretive to operating margin

Lead with world class teams and operations

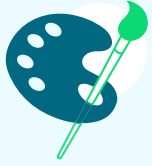
- **Vertical go-to-market** focused on customer needs and solution selling
- **Centers of Excellence** support functions with common systems, metrics and measurement
- **Continuous productivity improvement** across all functions of the organization



Delight customers with innovative cloud solutions



Focus on employees, culture and ESG initiatives



Environmental

Achieved carbon neutrality across operations and data centers for 2021

Substantially **reduced emissions** related to global real estate footprint, employee commute and business travel

Announced **multi-year commitment to Project Drawdown's climate initiatives**

Engaging with TCFD and CDP to ensure transparent sustainability reporting and progress



Social

Attract and retain top talent regardless of location with remote-first workforce strategy

Building diverse teams through inclusive culture and **focus on employee well-being** with robust resources and support

Strong culture of giving back through corporate philanthropy and employee volunteer support



Governance

Joined UN Global Compact in 2021

Created **ESG Steering Committee** with CEO sponsorship and Board oversight

Maintain **formalized policies and procedures** to be responsible and ethical custodians of personal data

Adopted a **tenure limit for all independent directors**

Adopted a **Stockholder Rights Plan** to protect the interests of all stockholders

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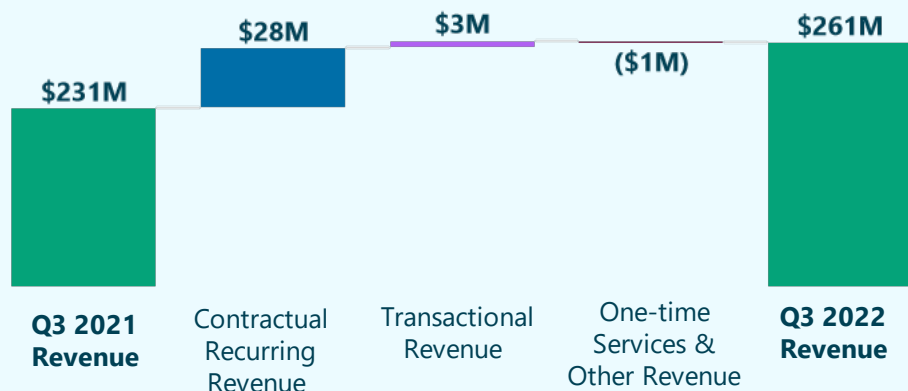
Strategy for Growth

04

Financial Strategy

Strong Q3 2022 financial performance

Revenue Year over Year



Contractual recurring revenue

- Benefitting from continued improvement to customer renewal rates and impact of early pricing initiatives
- EVERFI contractual recurring revenue of ~\$24M in the quarter

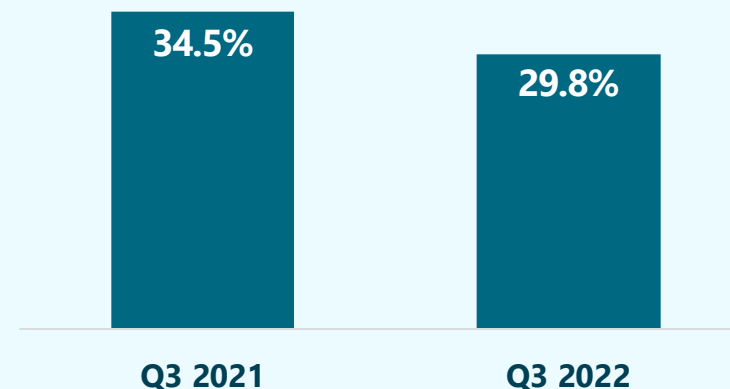
Transactional revenue

- Supported by continued shift toward online donations and progress on pricing initiatives

One-time services & other revenue

- Less than 5% of total revenues in line with intentional shift in mix toward higher margin recurring revenues
- Optionality to shift more significant mix of professional services work to partners could cause decline to continue beyond 2022

Rule of 40 Year over Year¹



Rule of 40 Highlights:

- YoY decline largely driven by a tough transactional revenue growth compare and acquisition of EVERFI, which is expected to be dilutive to adjusted EBITDA margin initially with significant upside potential as integration work is completed and company pursues revenue and cost synergies
- Continue to progress on our margin initiatives like pricing, scaling infrastructure costs and better aligning our resources to key strategic priorities resulting in an improved operating structure
- ***NEW* Targeting mid-30's Rule of 40 performance in 2023, inclusive of step-level margin expansion**

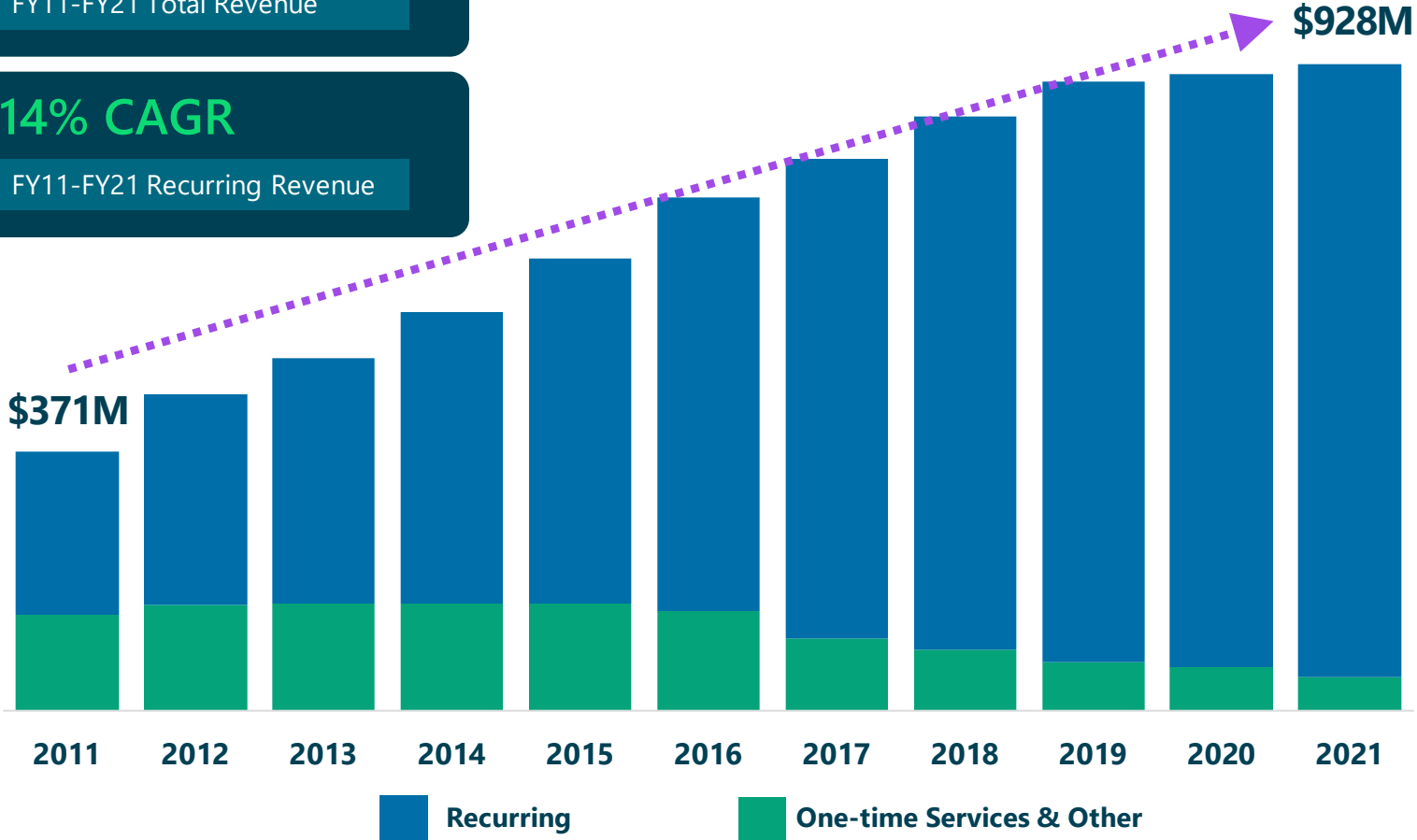
¹ Non-GAAP performance through 9/30/22. Rule of 40 measured by non-GAAP organic revenue growth on constant currency basis plus non-GAAP Adjusted EBITDA margin shown on constant currency basis. Non-GAAP adjusted EBITDA is defined as GAAP net income plus interest, net; income tax provision (benefit); depreciation; 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.



Proven history of double-digit revenue growth inclusive of M&A

10% CAGR
FY11-FY21 Total Revenue

14% CAGR
FY11-FY21 Recurring Revenue



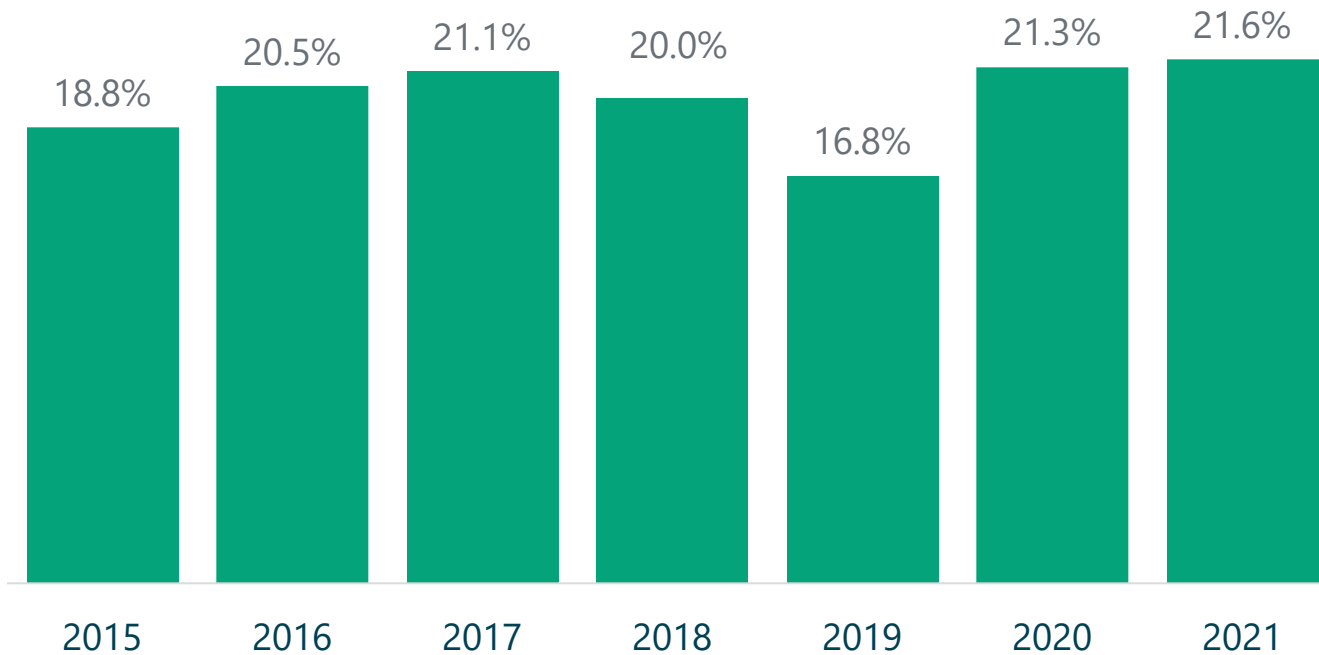
- Recurring 95% of total revenue in 2021
- History of double-digit growth despite one-time services drag
- Execution of successful M&A strategy grows the revenue base and accelerates growth and shift to the cloud
- Multiple levers to drive meaningful growth going forward

Non-GAAP Revenue. Beginning with 2016, results reflect adoption of ASC 606.



Revenue growth and scalability drive strong profitability with significant margin expansion opportunity

Operating Margin

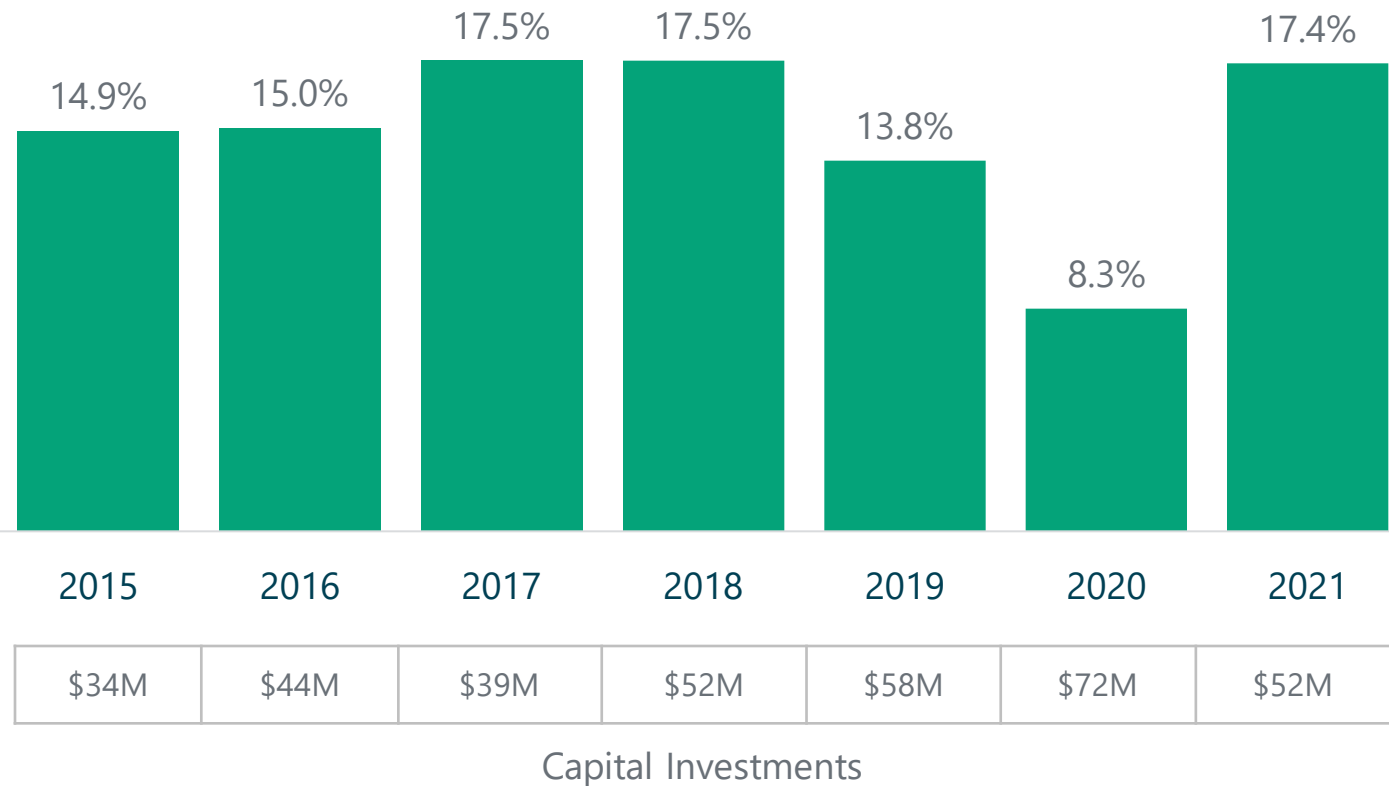


Leverage opportunities for future expansion:

- **Go-to-Market Efficiency:** Focusing on digital first lead generation, market coverage and sales velocity
- **Engineering and Innovation:** Invest in innovative cloud solutions
- **Migration to Public Cloud Infrastructure:** Enhanced scalability and security
- **Operational Scale and Efficiency:** Continuous simplification, automation and efficiency gains

Strong free cash flow generation

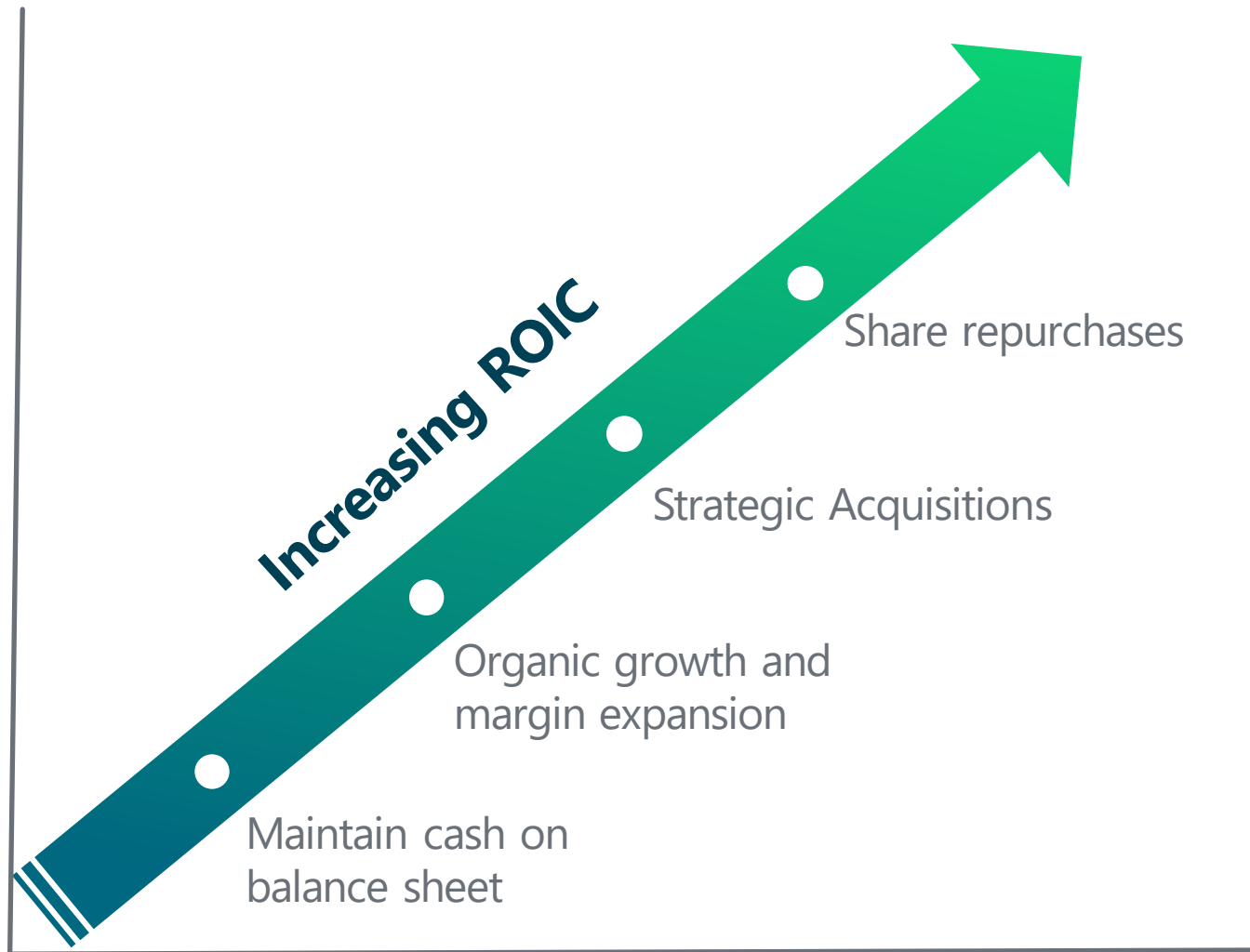
Free Cash Flow Margin



Free cash flow margins inclusive of investments:

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

Capital strategy increases shareholder value



Maintain liquidity and access to capital

- Oct 2020 amended, extended and expanded credit facility to \$900M, Dec 2021 exercised accordion feature for incremental term loan of \$250M
- Maximum Net Leverage: 4.25x

Accelerate performance in Rule of 40 framework

- Capital investments consistent with solution roadmap and strategy
- Constant pursuit of operational efficiencies
- Drives future cash generation

Return capital to shareholders

- Pursue share repurchases when internal estimates determine the company's shares are undervalued by the market and adequate capital is available
- November 2020 expanded share repurchase authorization from \$50M to \$250M; ~\$149M repurchased since November 2020
- Dec 2021 Board re-authorized and replenished share repurchase program for up to an additional \$250M

Proven history of rapid deleveraging post-acquisition



Note: Current covenant for leverage ratio is less than or equal to 4.25x through Q3 2022, then drops to 4.0x through Q4 2023. Calculation of debt over TTM EBITDA is based on credit agreement in place at the end of the respective reporting quarter.

Generating strong returns on invested capital

Strong Returns

2021 WACC: 8.0%

2021 ROIC⁽¹⁾: 17.6%

2.2x

19%

2013-2021
avg ROIC

Driving shareholder value through strong ROIC...

12%

2013-2021
CAGR

...on a significantly larger invested capital base...



...with the potential for increase returns driven by Rule of 40 performance.

(1) See appendix for detailed ROIC calculation

2022 Total company guidance

Metric		Mid-Point
Total Revenue	\$1,050M - \$1,070M	\$1,060M
Adjusted EBITDA Margin	23.7% - 24.2%	24.0%
Diluted EPS	\$2.43 - \$2.63	\$2.54
Adjusted Free Cash Flow	\$140M - \$150M	\$145M



Anticipating total revenue growth rate in the mid to high-teens



Expect organic total revenue growth in the mid-single digits – accelerates timeline for original mid-term goal by several years



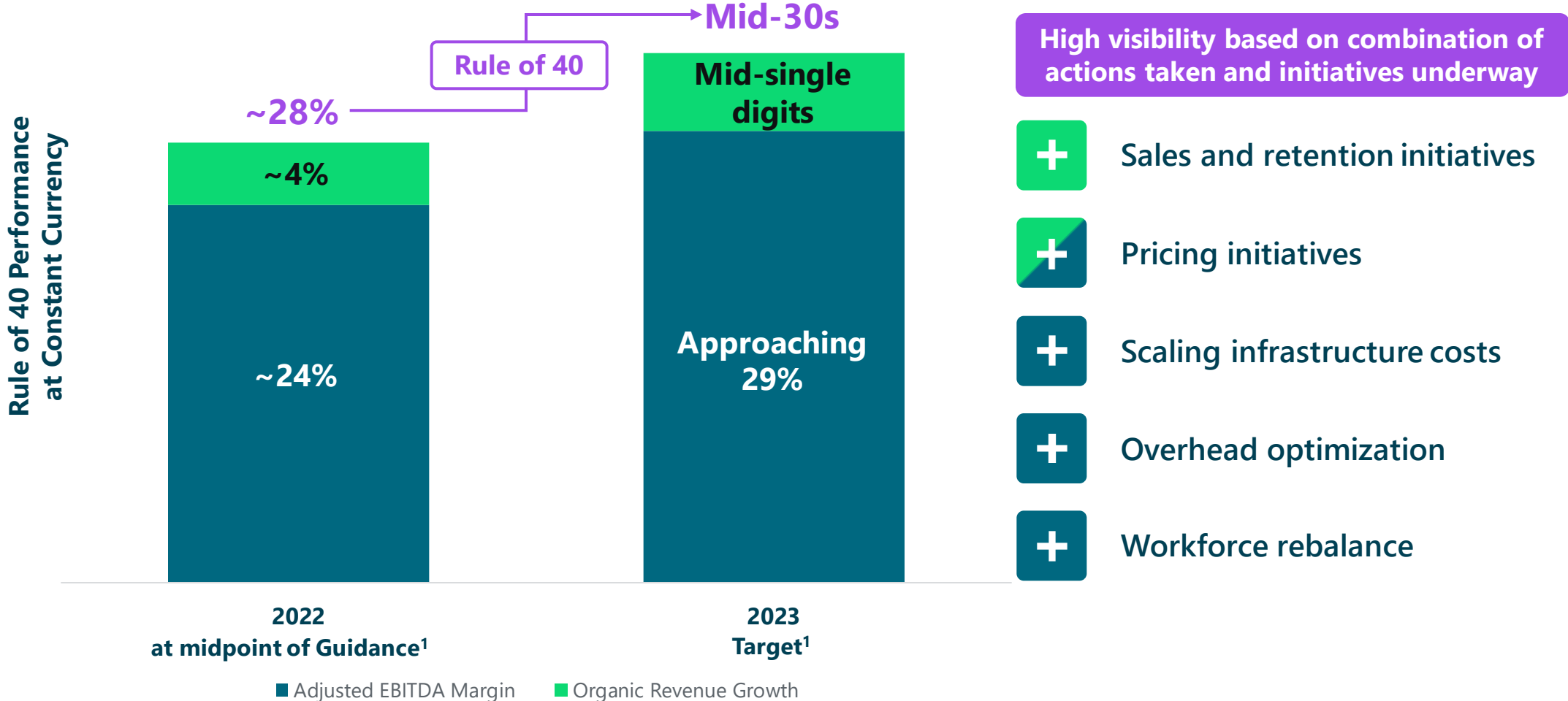
On track to meet or exceed full year 2022 Financial guidance - Targeting ~29% on the Rule of 40 at constant currency

Non-GAAP. Mid-point presented for illustration only, not as a prediction of 2022 performance. Assumptions included in full year 2022 financial guidance: Non-GAAP annualized effective tax rate of 20%; Interest expense for the year of \$34M - \$37M; Fully diluted shares for the year in the range of 52M - 53.5M; Capital expenditures for the year in the range of \$60M - \$70M, including \$50M to \$60M 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 discovered in May 2020 (the "Security Incident"). For full year 2022, Blackbaud currently expects net cash outlays of \$15 million to \$25 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, 2022, we have recorded approximately \$5.0 million in aggregate liabilities for a loss contingencies related to the Security Incident that we believe we can reasonably estimate. It is reasonably possible that actual losses in the future for those matters will be in excess of the amounts accrued, but we are unable at this time to reasonably estimate the possible additional loss. There are other Security Incident-related matters, including customer claims, customer constituent class actions and governmental investigations, for which we have not recorded a liability for a loss contingency as of September 30, 2022 because we are unable at this time to reasonably estimate the possible loss or range of loss. Please refer to the section below titled "Non-GAAP Financial Measures" for more information on Blackbaud's use of non-GAAP financial measures.

High visibility to step-level Rule of 40 acceleration in 2023

Driven by substantial adjusted EBITDA margin expansion



¹At constant currency. Financial goals represent full year targets. 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.



Executing step-level improvement within Rule of 40 framework

Solid line of sight to Rule of 40 acceleration in 2023 with current initiatives underway and well within control

Mid-single digit organic revenue growth is a solid baseline with strategic priorities providing upside into the high-single digits

Accelerated long-term goal of achieving Rule of 40 by three years to 2025 given multi-year nature of strategic initiatives

	Near-Term		Goal
	FY 2022 Guidance	FY 2023	FY 2025
Non-GAAP Organic Revenue Growth¹	~3% - 5%	Mid-Single Digit	Mid to High-Single Digit
Rule of 40¹	~27% - 30%	Mid-30s	40%+

¹At constant currency. Financial goals represent full year targets. 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.

Multiple organic growth drivers going forward

Mid to High-Single Digit Organic Growth

Near-term Growth Drivers

1. Bookings return to pre-pandemic levels
2. Return of in-person events began in 2021 and expected to continue in 2022
3. Capitalize on accelerated shift to online payments
4. Drag from one-time services dissipates - ~200bps drag on 2021 total revenue growth

Capture New Pricing Opportunities

5. Bring proven international pricing innovation to the U.S.
6. Pricing in line with market – multiple programs underway

Execute Current Growth Initiatives

7. Accelerate bookings performance through increased sales productivity
8. Capture land and expand opportunity created by growing product portfolio
9. Maximize value from partner program
10. Improve on already strong retention rates

Revenue growth and scalability drive margin expansion

Rule of 40

Go-To-Market Efficiency

1. Reduce customer acquisition cost and improve payback period
2. Increase sales velocity

Innovation and Infrastructure

3. Innovation in the cloud drives lower cost operating structure
4. Shift to third-party cloud infrastructure

Operational Scale and Efficiency

5. Remote-first workforce strategy drives real estate savings
6. Pricing optimization
7. Continuous simplification, automation, and efficiency gains

Maximizing shareholder value



Large, resilient and growing global markets allow for multiple levers to accelerate revenue growth

Committed to a clear **strategy** focused on achieving 'Rule of 40' by 2025

Rapidly **innovating for our customers** and positioned to capture **digital shift** in our markets

Executing a proven capital allocation strategy to **increase shareholder value**



Appendix

Return on invested capital (ROIC) calculation

<i>(dollars in millions)</i>	2021
Total Assets	\$2,972
Less: Restricted cash and customer funds receivable	(598)
Less: Non-interest bearing current liabilities	(401)
Add: Accumulated depreciation	58
Add: Accumulated amortization of software development	75
Add: Accumulated amortization of ROU assets ¹	24
Add: Accumulated amortization of intangibles	213
Less: Purchase price of 2021 acquisition ²	(723)
Add: Research & development (excluding stock-based compensation) 3Y Expense ³	274
Invested Capital	<u>\$1,894</u>
Income from Operations	25
Add: Rent/Lease expense	11
Add: Depreciation	14
Add: Amortization of software development	33
Add: Amortization of intangibles	37
EBITDA ⁴	<u>120</u>
Add: Stock-based compensation	120
Add: R&D Exp (excl SBC)	97
Adjusted EBITDA ⁴	<u>338</u>
Less: Implied taxes (assumes 20% tax rate)	(5)
Adjusted NOPAT ⁴	<u>\$333</u>
Return on invested capital (ROIC)	<u>17.6%</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) EVERFI acquired on 12/31/21

(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)	Nine months ended		Three months ended			Year ended	Three months ended			
	09/30/2022	09/30/2021	09/30/2022	06/30/2022	03/31/2022	12/31/2021	12/31/2021	09/30/2021	06/30/2021	03/31/2021
GAAP revenue	\$ 783,348	\$ 679,849	\$ 261,297	\$ 264,927	\$ 257,124	\$ 927,740	\$ 247,891	\$ 231,218	\$ 229,440	\$ 219,191
GAAP revenue growth	15.2 %		13.0 %	15.5 %	17.3 %					
Add: Non-GAAP acquisition-related revenue ⁽¹⁾	—	77,056	—	—	—	104,378	27,322	25,986	25,841	25,229
Less: Non-GAAP revenue from divested businesses ⁽²⁾	—	(350)	—	—	—	(1,877)	(1,527)	(350)	—	—
Total Non-GAAP adjustments	—	76,706	—	—	—	102,501	25,795	25,636	25,841	25,229
Non-GAAP organic revenue ⁽³⁾	\$ 783,348	\$ 756,555	\$ 261,297	\$ 264,927	\$ 257,124	\$ 1,030,241	\$ 273,686	\$ 256,854	\$ 255,281	\$ 244,420
Non-GAAP organic revenue growth	3.5 %		1.7 %	3.8 %	5.2 %					
Non-GAAP organic revenue ⁽³⁾	\$ 783,348	\$ 756,555	\$ 261,297	\$ 264,927	\$ 257,124	1,030,241	\$ 273,686	\$ 256,854	\$ 255,281	\$ 244,420
Foreign currency impact on Non-GAAP organic revenue ⁽⁴⁾	8,714	—	4,897	2,906	911	—	—	—	—	—
Non-GAAP organic revenue on constant currency basis ⁽⁴⁾	\$ 792,062	\$ 756,555	\$ 266,194	\$ 267,833	\$ 258,035	\$ 1,030,241	\$ 273,686	\$ 256,854	\$ 255,281	\$ 244,420
Non-GAAP organic revenue growth on constant currency basis	4.7 %		3.6 %	4.9 %	5.6 %					
GAAP recurring revenue	746,560	642,266	249,387	252,507	244,666	880,850	238,584	218,530	216,986	206,750
GAAP recurring revenue growth	16.2 %		14.1 %	16.4 %	18.3 %					
Add: Non-GAAP acquisition-related recurring revenue ⁽¹⁾	—	68,769	—	—	—	93,500	24,731	22,824	23,157	22,788
Less: Non-GAAP recurring revenue from divested businesses ⁽²⁾	—	(348)	—	—	—	(1,858)	(1,510)	(348)	—	—
Total Non-GAAP adjustments	—	68,421	—	—	—	91,642	23,221	22,476	23,157	22,788
Non-GAAP organic recurring revenue	\$ 746,560	\$ 710,687	\$ 249,387	\$ 252,507	\$ 244,666	\$ 972,492	\$ 261,805	\$ 241,006	\$ 240,143	\$ 229,538
Non-GAAP organic recurring revenue growth	5.0 %		3.5 %	5.1 %	6.6 %					
Non-GAAP organic recurring revenue ⁽³⁾	\$ 746,560	\$ 710,687	\$ 249,387	\$ 252,507	\$ 244,666	972,492	\$ 261,805	\$ 241,006	\$ 240,143	\$ 229,538
Foreign currency impact on non-GAAP organic recurring revenue ⁽⁴⁾	7,821	—	4,419	2,596	806	—	—	—	—	—
Non-GAAP organic recurring revenue on constant currency basis ⁽⁴⁾	\$ 754,381	\$ 710,687	\$ 253,806	\$ 255,103	\$ 245,472	\$ 972,492	\$ 261,805	\$ 241,006	\$ 240,143	\$ 229,538
Non-GAAP organic recurring revenue growth on constant currency basis	6.1 %		5.3 %	6.2 %	6.9 %					

(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.

(2) 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.

(3) 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.

(4) 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	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
GAAP net income	\$ (10,319)	\$ 6,188	\$ (24,148)	\$ 12,755
Non-GAAP adjustments:				
Add: Interest, net	8,666	3,921	25,004	13,860
Add: GAAP income tax (benefit) provision	(1,576)	2,517	(5,993)	4,946
Add: Depreciation	3,519	3,135	10,642	9,486
Add: Amortization of intangibles from business combinations	12,560	9,153	39,069	28,277
Add: Amortization of software and content development costs ⁽¹⁾	9,795	7,986	28,528	24,068
Subtotal	32,964	26,712	97,250	80,637
Non-GAAP EBITDA	\$ 22,645	\$ 32,900	\$ 73,102	\$ 93,392
Non-GAAP EBITDA margin	8.7 %		9.3 %	
Non-GAAP adjustments:				
Add: Stock-based compensation expense	27,945	28,926	83,659	89,480
Add: Employee severance	232	68	694	1,510
Add: Acquisition and disposition-related costs	2,456	50	5,705	81
Add: Restructuring and other real estate activities	—	(420)	71	(413)
Add: Security Incident-related costs, net of insurance ⁽²⁾	13,658	851	29,207	1,322
Add: Impairment of capitalized software development costs	—	—	2,263	—
Subtotal	44,291	29,475	121,599	91,980
Non-GAAP adjusted EBITDA	\$ 66,936	\$ 62,375	\$ 194,701	\$ 185,372
Non-GAAP adjusted EBITDA margin	25.6 %		24.9 %	
Rule of 40⁽³⁾	27.3 %		28.4 %	
Non-GAAP adjusted EBITDA	66,936	62,375	194,701	185,372
Foreign currency impact on Non-GAAP adjusted EBITDA ⁽⁴⁾	2,827	(1,098)	4,979	(3,328)
Non-GAAP adjusted EBITDA on constant currency basis⁽⁴⁾	\$ 69,763	\$ 61,277	\$ 199,680	\$ 182,044
Non-GAAP adjusted EBITDA margin on constant currency basis	26.2 %		25.2 %	
Rule of 40 on constant currency basis⁽⁵⁾	29.8 %		29.9 %	

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

(2) 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 and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

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

(4) 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.

(5) 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, 2022										
(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, net of insurance ⁽¹⁾	Non-GAAP adjustments subtotal	Non-GAAP		
Revenue										
Recurring	\$ 249,387	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	249,387
One-time services and other	11,910	—	—	—	—	—	—	—	—	11,910
Total revenue	261,297	—	—	—	—	—	—	—	—	261,297
Cost of revenue										
Cost of recurring	111,488	(2,728)	(11,570)	—	—	—	(14,298)	—	—	97,190
Cost of one-time services and other	9,449	(686)	(343)	33	—	—	(996)	—	—	8,453
Total cost of revenue	120,937	(3,414)	(11,913)	33	—	—	(15,294)	—	—	105,643
Gross profit	140,360	3,414	11,913	(33)	—	—	15,294	—	—	155,654
<i>Recurring gross margin</i>	<i>55.3 %</i>									<i>61.0 %</i>
<i>One-time services and other gross margin</i>	<i>20.7 %</i>									<i>29.0 %</i>
Total gross margin	53.7 %									59.6 %
Operating expenses										
Sales, marketing and customer success	56,414	(5,644)	—	—	—	—	(5,644)	—	—	50,770
Research and development	40,451	(6,061)	—	—	—	—	(6,061)	—	—	34,390
General and administrative	49,860	(12,826)	—	(265)	(2,456)	(13,658)	(29,205)	—	—	20,655
Amortization	647	—	(647)	—	—	—	(647)	—	—	—
Total operating expenses	147,372	(24,531)	(647)	(265)	(2,456)	(13,658)	(41,557)	—	—	105,815
Income from operations	(7,012)	27,945	12,560	232	2,456	13,658	56,851	—	—	49,839
Total operating margin	(2.7)%									21.8 %
Net (loss) income	\$ (10,319)									\$ 35,965
Shares used in computing diluted (loss) earnings per share	51,692									52,363
Diluted (loss) earnings per share	\$ (0.20)									\$ 0.69

(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 and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cyber security program.

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

Nine Months Ended September 30, 2022											
(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Restructuring and other real estate activities	Security Incident-related costs, net of insurance ⁽¹⁾	Impairment of capitalized software development costs	Non-GAAP adjustments subtotal	Non-GAAP	
Revenue											
Recurring	\$ 746,560	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 746,560
One-time services and other	36,788	—	—	—	—	—	—	—	—	—	36,788
Total revenue	783,348	—	—	—	—	—	—	—	—	—	783,348
Cost of revenue											
Cost of recurring	338,149	(8,734)	(35,759)	(50)	—	—	—	—	(44,543)		293,606
Cost of one-time services and other	31,757	(2,593)	(1,047)	(298)	—	—	—	—	(3,938)		27,819
Total cost of revenue	369,906	(11,327)	(36,806)	(348)	—	—	—	—	(48,481)		321,425
Gross profit	413,442	11,327	36,806	348	—	—	—	—	48,481		461,923
<i>Recurring gross margin</i>	<i>54.7 %</i>										<i>60.7 %</i>
<i>One-time services and other gross margin</i>	<i>13.7 %</i>										<i>24.4 %</i>
Total Gross Margin	52.8 %								6.2 %		59.0 %
Operating expenses											
Sales, marketing and customer success	164,367	(15,948)	—	—	—	—	—	—	(15,948)		148,419
Research and development	118,736	(18,178)	—	—	—	—	—	—	(18,178)		100,558
General and administrative	141,013	(38,206)	—	(346)	(5,705)	(71)	(29,207)	(2,263)	(75,798)		65,215
Amortization	2,263	—	(2,263)	—	—	—	—	—	(2,263)		—
Total operating expenses	426,379	(72,332)	(2,263)	(346)	(5,705)	(71)	(29,207)	(2,263)	(112,187)		314,192
Income from operations	(12,937)	83,659	39,069	694	5,705	71	29,207	2,263	160,668		147,731
Total Operating Margin	(1.7)%								20.6 %		18.9 %
Net (loss) income	\$ (24,148)										\$ 104,422
Shares used in computing diluted (loss) earnings per share	51,519										51,985
Diluted (loss) earnings per share	\$ (0.47)										\$ 2.01

(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 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, 2021										
(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Restructuring and other real estate activities	Security Incident-related costs, net of insurance	Non-GAAP adjustments subtotal	Non-GAAP	
Revenue										
Recurring	\$ 218,530	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	218,530
One-time services and other	12,688	—	—	—	—	—	—	—	—	12,688
Total revenue	231,218	—	—	—	—	—	—	—	—	231,218
Cost of revenue										
Cost of recurring	95,823	(2,997)	(8,209)	—	—	—	—	(11,206)	—	84,617
Cost of one-time services and other	11,858	(1,266)	(386)	(14)	—	—	—	(1,666)	—	10,192
Total cost of revenue	107,681	(4,263)	(8,595)	(14)	—	—	—	(12,872)	—	94,809
Gross profit	123,537	4,263	8,595	14	—	—	—	12,872	—	136,409
<i>Recurring gross margin</i>	56.2 %							5.1 %		61.3 %
<i>One-time services and other gross margin</i>	6.5 %							13.2 %		19.7 %
Total Gross Margin	53.4 %							5.6 %		59.0 %
Operating expenses										
Sales, marketing and customer success	44,703	(4,942)	—	—	—	—	—	(4,942)	—	39,761
Research and development	31,566	(6,110)	—	(36)	—	—	—	(6,146)	—	25,420
General and administrative	34,733	(13,611)	—	(18)	(50)	551	(851)	(13,979)	—	20,754
Amortization	558	—	(558)	—	—	—	—	(558)	—	—
Restructuring	131	—	—	—	—	(131)	—	(131)	—	—
Total operating expenses	111,691	(24,663)	(558)	(54)	(50)	420	(851)	(25,756)	—	85,935
Income from operations	11,846	28,926	9,153	68	50	(420)	851	38,628	—	50,474
Total Operating Margin	5.1 %							16.7 %		21.8 %
Net Income	\$ 6,188									\$ 37,866
Shares used in computing diluted earnings per share	48,274									48,274
Diluted earnings per share	\$ 0.13									\$ 0.78

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

Nine Months Ended September 30, 2021										
(in thousands, except per share amounts)	GAAP	Stock-based compensation expense	Amortization of intangibles from business combinations	Employee severance	Acquisition and disposition-related costs	Restructuring and other real estate activities	Security Incident-related costs, net of insurance	Non-GAAP adjustments subtotal	Non-GAAP	
Revenue										
Recurring	\$ 642,266	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	642,266
One-time services and other	37,583	—	—	—	—	—	—	—	—	37,583
Total revenue	679,849	—	—	—	—	—	—	—	—	679,849
Cost of revenue										
Cost of recurring	279,123	(8,900)	(25,309)	—	—	—	—	(34,209)		244,914
Cost of one-time services and other	40,013	(5,958)	(1,294)	(29)	—	—	—	(7,281)		32,732
Total cost of revenue	319,136	(14,858)	(26,603)	(29)	—	—	—	(41,490)		277,646
Gross profit	360,713	14,858	26,603	29	—	—	—	41,490		402,203
<i>Recurring gross margin</i>	56.5 %							5.4 %		61.9 %
<i>One-time services and other gross margin</i>	(6.5)%							19.4 %		12.9 %
Total Gross Margin	53.1 %							6.1 %		59.2 %
Operating expenses										
Sales, marketing and customer success	138,948	(15,048)	—	(1,342)	—	—	—	(16,390)		122,558
Research and development	90,967	(19,725)	—	(36)	—	—	—	(19,761)		71,206
General and administrative	97,328	(39,849)	—	(103)	(81)	676	(1,322)	(40,679)		56,649
Amortization	1,674	—	(1,674)	—	—	—	—	(1,674)		—
Restructuring	263	—	—	—	—	(263)	—	(263)		—
Total operating expenses	329,180	(74,622)	(1,674)	(1,481)	(81)	413	(1,322)	(78,767)		250,413
Income from operations	31,533	89,480	28,277	1,510	81	(413)	1,322	120,257		151,790
Total Operating Margin	4.6 %							17.7 %		22.3 %
Net Income	\$ 12,755									\$ 110,366
Shares used in computing diluted earnings per share	48,260									48,260
Diluted earnings per share	\$ 0.26									\$ 2.29

Historical Consolidated Balance Sheets (Unaudited)

(in thousands)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Assets							
Current assets:							
Cash and cash equivalents	\$ 27,753	\$ 28,288	\$ 27,591	\$ 55,146	\$ 33,786	\$ 29,029	\$ 31,413
Restricted cash	255,158	434,567	216,122	596,616	279,594	449,491	343,928
Accounts receivable, net of allowance	83,333	119,270	105,873	102,726	91,770	149,237	86,704
Customer funds receivable	945	5,390	6,076	977	2,049	1,194	1,853
Prepaid expenses and other current assets	98,095	103,493	102,319	95,506	99,913	98,041	83,639
Total current assets	465,284	691,008	457,981	850,971	507,112	726,992	547,537
Property and equipment, net	105,124	104,914	103,346	111,428	112,675	111,865	109,474
Operating lease right-of-use assets	20,055	22,630	19,652	53,883	51,808	50,036	47,430
Software and content development costs, net	113,624	116,562	118,860	121,377	126,766	130,329	135,594
Goodwill	637,113	637,510	635,912	1,058,640	1,056,794	1,051,230	1,047,178
Intangible assets, net	269,118	260,072	249,494	698,052	683,348	664,400	643,994
Other assets	74,022	70,666	69,699	77,266	90,194	90,670	95,376
Total assets	\$ 1,684,340	\$ 1,903,362	\$ 1,654,944	\$ 2,971,617	\$ 2,628,697	\$ 2,825,522	\$ 2,626,583
Liabilities and stockholders' equity							
Current liabilities:							
Trade accounts payable	\$ 35,274	\$ 30,605	\$ 38,388	\$ 22,067	\$ 39,490	\$ 36,640	\$ 36,374
Accrued expenses and other current liabilities	53,013	55,808	58,579	100,096	72,195	77,411	78,471
Due to customers	254,947	438,633	220,785	594,273	278,179	449,402	344,305
Debt, current portion	12,875	12,911	12,948	18,697	18,116	18,154	18,193
Deferred revenue, current portion	290,025	339,670	329,426	374,499	350,952	412,712	393,679
Total current liabilities	646,134	877,627	660,126	1,109,632	758,932	994,319	871,022
Debt, net of current portion	537,924	531,973	514,418	937,483	963,109	921,619	835,881
Deferred tax liability	54,444	56,227	56,144	148,465	144,590	135,393	131,773
Deferred revenue, net of current portion	4,495	5,749	4,528	4,247	4,725	3,547	2,920
Operating lease liabilities, net of current portion	15,744	17,173	13,470	53,386	50,785	48,542	46,400
Other liabilities	9,439	9,339	9,421	1,344	1,506	1,628	5,775
Total liabilities	1,268,180	1,498,088	1,258,107	2,254,557	1,923,647	2,105,048	1,893,771
Commitments and contingencies							
Stockholders' equity:							
Preferred stock	—	—	—	—	—	—	—
Common stock, \$0.001 par value	62	62	62	66	68	68	68
Additional paid-in capital	574,958	605,486	634,406	968,927	993,223	1,020,835	1,048,688
Treasury stock, at cost	(399,583)	(449,877)	(490,456)	(500,911)	(535,585)	(536,511)	(536,968)
Accumulated other comprehensive income	4,163	6,291	3,319	6,522	15,295	7,455	2,716
Retained earnings	236,560	243,312	249,506	242,456	232,049	228,627	218,308
Total stockholders' equity	416,160	405,274	396,837	717,060	705,050	720,474	732,812
Total liabilities and stockholders' equity	\$ 1,684,340	\$ 1,903,362	\$ 1,654,944	\$ 2,971,617	\$ 2,628,697	\$ 2,825,522	\$ 2,626,583

Historical Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands, except share and per share amounts)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022
Revenue								
Recurring	\$ 206,750	\$ 216,986	\$ 218,530	\$ 238,584	\$ 880,850	\$ 244,666	\$ 252,507	\$ 249,387
One-time services and other	12,441	12,454	12,688	9,307	46,890	12,458	12,420	11,910
Total revenue	219,191	229,440	231,218	247,891	927,740	257,124	264,927	261,297
Cost of revenue								
Cost of recurring	88,865	94,435	95,823	111,680	390,803	112,174	114,487	111,488
Cost of one-time services and other	14,520	13,635	11,858	12,379	52,392	11,188	11,120	9,449
Total cost of revenue	103,385	108,070	107,681	124,059	443,195	123,362	125,607	120,937
Gross profit	115,806	121,370	123,537	123,832	484,545	133,762	139,320	140,360
Operating expenses								
Sales, marketing and customer success	48,793	45,452	44,703	47,366	186,314	55,216	52,737	56,414
Research and development	29,179	30,222	31,566	33,606	124,573	39,952	38,333	40,451
General and administrative	30,587	32,008	34,733	48,934	146,262	43,762	47,391	49,860
Amortization	549	567	558	553	2,227	811	805	647
Restructuring	54	78	131	—	263	—	—	—
Total operating expenses	109,162	108,327	111,691	130,459	459,639	139,741	139,266	147,372
Income (loss) from operations	6,644	13,043	11,846	(6,627)	24,906	(5,979)	54	(7,012)
Interest expense	(5,114)	(5,054)	(4,003)	(3,832)	(18,003)	(7,599)	(8,976)	(9,337)
Other (expense) income, net	(1,010)	487	862	(159)	180	1,121	3,133	4,454
Income (loss) before provision (benefit) for income taxes	520	8,476	8,705	(10,618)	7,083	(12,457)	(5,789)	(11,895)
Income tax provision (benefit)	684	1,745	2,517	(3,561)	1,385	(2,050)	(2,367)	(1,576)
Net (loss) income	\$ (164)	\$ 6,731	\$ 6,188	\$ (7,057)	\$ 5,698	\$ (10,407)	\$ (3,422)	\$ (10,319)
Earnings (loss) per share								
Basic	\$ —	\$ 0.14	\$ 0.13	\$ (0.15)	\$ 0.12	\$ (0.20)	\$ (0.07)	\$ (0.20)
Diluted	\$ —	\$ 0.14	\$ 0.13	\$ (0.15)	\$ 0.12	\$ (0.20)	\$ (0.07)	\$ (0.20)
Common shares and equivalents outstanding								
Basic weighted average shares	47,363,197	47,756,326	47,542,746	46,989,624	47,412,306	51,199,717	51,660,739	51,692,152
Diluted weighted average shares	47,363,197	48,444,874	48,274,072	46,989,624	48,230,438	51,199,717	51,660,739	51,692,152
Other comprehensive income (loss)								
Foreign currency translation adjustment	2,511	1,783	(3,234)	(399)	661	(2,132)	(10,398)	(11,536)
Unrealized gain on derivative instruments, net of tax	4,149	345	262	3,602	8,358	10,905	2,558	6,797
Total other comprehensive income (loss)	6,660	2,128	(2,972)	3,203	9,019	8,773	(7,840)	(4,739)
Comprehensive income (loss)	\$ 6,496	\$ 8,859	\$ 3,216	\$ (3,854)	\$ 14,717	\$ (1,634)	\$ (11,262)	\$ (15,058)

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	6 months ended	9 months ended	12 months ended	3 months ended	6 months ended	9 months ended
	03/31/2021	06/30/2021	09/30/2021	12/31/2021	03/31/2022	06/30/2022	09/30/2022
Cash flows from operating activities							
Net (loss) income	\$ (164)	\$ 6,567	\$ 12,755	\$ 5,698	\$ (10,407)	\$ (13,829)	\$ (24,148)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:							
Depreciation and amortization	20,461	40,742	60,484	82,410	25,545	51,283	76,606
Provision for credit losses and sales returns	2,141	4,418	7,992	11,450	1,875	3,653	4,374
Stock-based compensation expense	30,005	60,554	89,480	120,379	27,860	55,714	83,659
Deferred taxes	(1,142)	276	400	(2,429)	(7,431)	(16,656)	(21,672)
Amortization of deferred financing costs and discount	506	879	1,234	1,570	645	1,254	1,827
Other non-cash adjustments	(32)	155	(527)	10,490	(150)	4,225	5,677
Changes in operating assets and liabilities, net of acquisition and disposal of businesses:							
Accounts receivable	10,407	(27,134)	(18,779)	(6,525)	9,010	(50,818)	9,998
Prepaid expenses and other assets	(17,426)	(18,162)	(14,169)	(2,048)	(2,067)	3,685	22,246
Trade accounts payable	7,550	2,356	10,728	(9,670)	15,919	12,769	14,435
Accrued expenses and other liabilities	549	1,443	2,790	(8,190)	(13,430)	(8,739)	(7,028)
Deferred revenue	(22,752)	27,828	17,400	10,526	(22,865)	39,238	23,832
Net cash provided by operating activities	30,103	99,922	169,788	213,661	24,504	81,779	189,806
Cash flows from investing activities							
Purchase of property and equipment	(3,470)	(6,128)	(8,332)	(11,664)	(4,266)	(7,518)	(10,512)
Capitalized software and content development costs	(9,302)	(19,862)	(29,661)	(40,489)	(12,683)	(27,183)	(42,757)
Purchase of net assets of acquired companies, net of cash and restricted cash acquired	—	—	—	(419,120)	(19,985)	(19,016)	(20,945)
Cash received in sale of business	—	—	—	—	—	—	6,426
Net cash used in investing activities	(12,772)	(25,990)	(37,993)	(471,273)	(36,934)	(53,717)	(67,788)
Cash flows from financing activities							
Proceeds from issuance of debt	80,700	128,300	128,300	582,200	59,400	113,200	126,900
Payments on debt	(59,667)	(113,477)	(131,272)	(152,971)	(33,765)	(129,548)	(229,442)
Debt issuance costs	—	—	—	(3,106)	—	—	—
Stock issuance costs	—	—	—	—	—	(557)	(1,205)
Employee taxes paid for withheld shares upon equity award settlement	(18,426)	(38,712)	(39,012)	(39,404)	(34,674)	(35,600)	(36,057)
Change in due to customers	(353,597)	(170,061)	(386,973)	(13,464)	(315,294)	(141,001)	(243,109)
Change in customer funds receivable	(563)	(5,014)	(5,838)	(731)	(1,115)	(546)	(1,291)
Purchase of treasury stock	(28,066)	(58,074)	(98,353)	(108,416)	—	—	—
Net cash (used in) provided by financing activities	(379,619)	(257,038)	(533,148)	264,108	(325,448)	(194,052)	(384,204)
Effect of exchange rate on cash, cash equivalents, and restricted cash	230	992	97	297	(504)	(7,252)	(14,235)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(362,058)	(182,114)	(401,256)	6,793	(338,382)	(173,242)	(276,421)
Cash, cash equivalents, and restricted cash, beginning of period	644,969	644,969	644,969	644,969	651,762	651,762	651,762
Cash, cash equivalents, and restricted cash, end of period	\$ 282,911	\$ 462,855	\$ 243,713	\$ 651,762	\$ 313,380	\$ 478,520	\$ 375,341

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 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022
GAAP Revenue	\$ 219,191	\$ 229,440	\$ 231,218	\$ 247,891	\$ 927,740	\$ 257,124	\$ 264,927	\$ 261,297
GAAP gross profit	\$ 115,806	\$ 121,370	\$ 123,537	\$ 123,832	\$ 484,545	\$ 133,762	\$ 139,320	\$ 140,360
GAAP gross margin	52.8 %	52.9 %	53.4 %	50.0 %	52.2 %	52.0 %	52.6 %	53.7 %
Non-GAAP adjustments:								
Add: Stock-based compensation expense	5,358	5,237	4,263	5,094	19,952	4,149	3,764	3,414
Add: Amortization of intangibles from business combinations	9,128	8,880	8,595	8,209	34,812	12,489	12,404	11,913
Add: Employee severance	—	15	14	—	29	—	381	(33)
Subtotal	14,486	14,132	12,872	13,303	54,793	16,638	16,549	15,294
Non-GAAP gross profit	\$ 130,292	\$ 135,502	\$ 136,409	\$ 137,135	\$ 539,338	\$ 150,400	\$ 155,869	\$ 155,654
Non-GAAP gross margin	59.4 %	59.1 %	59.0 %	55.3 %	58.1 %	58.5 %	58.8 %	59.6 %
GAAP income (loss) from operations	\$ 6,644	\$ 13,043	\$ 11,846	\$ (6,627)	\$ 24,906	\$ (5,979)	\$ 54	\$ (7,012)
GAAP operating margin	3.0 %	5.7 %	5.1 %	(2.7)%	2.7 %	(2.3)%	— %	(2.7)%
Non-GAAP adjustments:								
Add: Stock-based compensation expense	30,005	30,549	28,926	30,899	120,379	27,860	27,854	27,945
Add: Amortization of intangibles from business combinations	9,677	9,447	9,153	8,762	37,039	13,300	13,209	12,560
Add: Employee severance	991	451	68	—	1,510	—	462	232
Add: Acquisition and disposition -related costs	(33)	64	50	2,973	3,054	957	2,292	2,456
Add: Restructuring and other real estate activities	(111)	118	(420)	12,515	12,102	71	—	—
Add: Security Incident -related costs, net of insurance ⁽²⁾	1	470	851	493	1,815	7,201	8,348	13,658
Add: Impairment of capitalized software development costs	—	—	—	—	—	—	2,263	—
Subtotal	40,530	41,099	38,628	55,642	175,899	49,389	54,428	56,851
Non-GAAP income from operations	\$ 47,174	\$ 54,142	\$ 50,474	\$ 49,015	\$ 200,805	\$ 43,410	\$ 54,482	\$ 49,839
Non-GAAP operating margin	21.5 %	23.6 %	21.8 %	19.8 %	21.6 %	16.9 %	20.6 %	19.1 %
GAAP income (loss) before provision (benefit) for income taxes	\$ 520	\$ 8,476	\$ 8,705	\$ (10,618)	\$ 7,083	\$ (12,457)	\$ (5,789)	\$ (11,895)
GAAP net (loss) income	\$ (164)	\$ 6,731	\$ 6,188	\$ (7,057)	\$ 5,698	\$ (10,407)	\$ (3,422)	\$ (10,319)
Shares used in computing GAAP diluted earnings (loss) per share	47,363,197	48,444,874	48,274,072	46,989,624	48,230,438	51,199,717	51,660,739	51,692,152
GAAP diluted earnings (loss) per share	\$ —	\$ 0.14	\$ 0.13	\$ (0.15)	\$ 0.12	\$ (0.20)	\$ (0.07)	\$ (0.20)
Non-GAAP adjustments:								
Add: GAAP income tax provision (benefit)	684	1,745	2,517	(3,561)	1,385	(2,050)	(2,367)	(1,576)
Add: Total Non -GAAP adjustments affecting income from operations	40,530	41,099	38,628	55,642	175,899	49,389	54,428	56,851
Non-GAAP income before provision for income taxes	41,050	49,575	47,333	45,024	182,982	36,932	48,639	44,956
Assumed non -GAAP income tax provision ⁽³⁾	8,210	9,915	9,467	9,005	36,597	7,386	9,728	8,991
Non-GAAP net income	\$ 32,840	\$ 39,660	\$ 37,866	\$ 36,019	\$ 146,385	\$ 29,546	\$ 38,911	\$ 35,965
Shares used in computing Non -GAAP diluted earnings per share	48,387,042	48,444,874	48,274,072	48,106,044	48,230,438	52,076,858	51,985,530	52,362,781
Non-GAAP diluted earnings per share	\$ 0.68	\$ 0.82	\$ 0.78	\$ 0.75	\$ 3.04	\$ 0.57	\$ 0.75	\$ 0.69

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

Note 2: 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 and accruals for certain loss contingencies. Not included in this adjustment were costs associated with enhancements to our cybersecurity program.

Note 3: 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	6 months ended	9 months ended	12 months ended	3 months ended	6 months ended	9 months ended
	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022
GAAP net cash provided by operating activities	30,103	99,922	169,788	213,661	24,504	81,779	189,806
Less: purchase of property and equipment	(3,470)	(6,128)	(8,332)	(11,664)	(4,266)	(7,518)	(10,512)
Less: capitalized software and content development costs	(9,302)	(19,862)	(29,661)	(40,489)	(12,683)	(27,183)	(42,757)
Non-GAAP free cash flow	\$ 17,331	\$ 73,932	\$ 131,795	\$ 161,508	\$ 7,555	\$ 47,078	\$ 136,537
Add: Security Incident-related cash flows, net of insurance	1,416	3,794	4,549	6,739	823	5,164	9,536
Non-GAAP adjusted free cash flow	\$ 18,747	\$ 77,726	\$ 136,344	\$ 168,247	\$ 8,378	\$ 52,242	\$ 146,073

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Thank you

