

Blackbaud Q1 2016 Investor Presentation

Ticker: BLKB

April 2016

Forward-Looking Statement and NonGAAP Financial Measures

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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.

In addition, 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 subscriptions revenue growth, which Blackbaud believes provides 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, 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 in the current fiscal year. The exclusion of the prior period revenue is 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 addition, to calculate non-GAAP organic revenue growth for 2014, non-GAAP revenue for the first through third quarters of fiscal 2013 reflects gross presentation of revenue specifically associated with certain of our payment processing services, as if the change in presentation effective October 1, 2013 from net to gross, as previously reported, had instead occurred on January 1, 2013. Reconciliations of GAAP to non-GAAP financial measures and 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 subscriptions revenue growth can be found in the Appendix to these materials and on the "Investor Relations" page of the company's website at www.blackbaud.com/investorrelations.

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Key Messages

1

The market leader in a large and growing market

2

Highly differentiated position with a comprehensive solution set and domain expertise

3

Executing a clear five-point growth strategy

GOALS

Organic revenue growth
6% to 10% per annum*
2014 to 2017

Operating margin expansion
300 to 600 bps
2014 to 2017*

Aggregate operating cash flow
\$500M to \$550M
2014 to 2017

*Goals based on 2014 - 2017 long-term aspirational financial goals re-issued 2/9/16, assuming 2014 constant currency presentation. This slide contains forward-looking statements and we refer you to our notice on slide 2.

Agenda

► Our Markets

Key Differentiators

Strategy for Growth

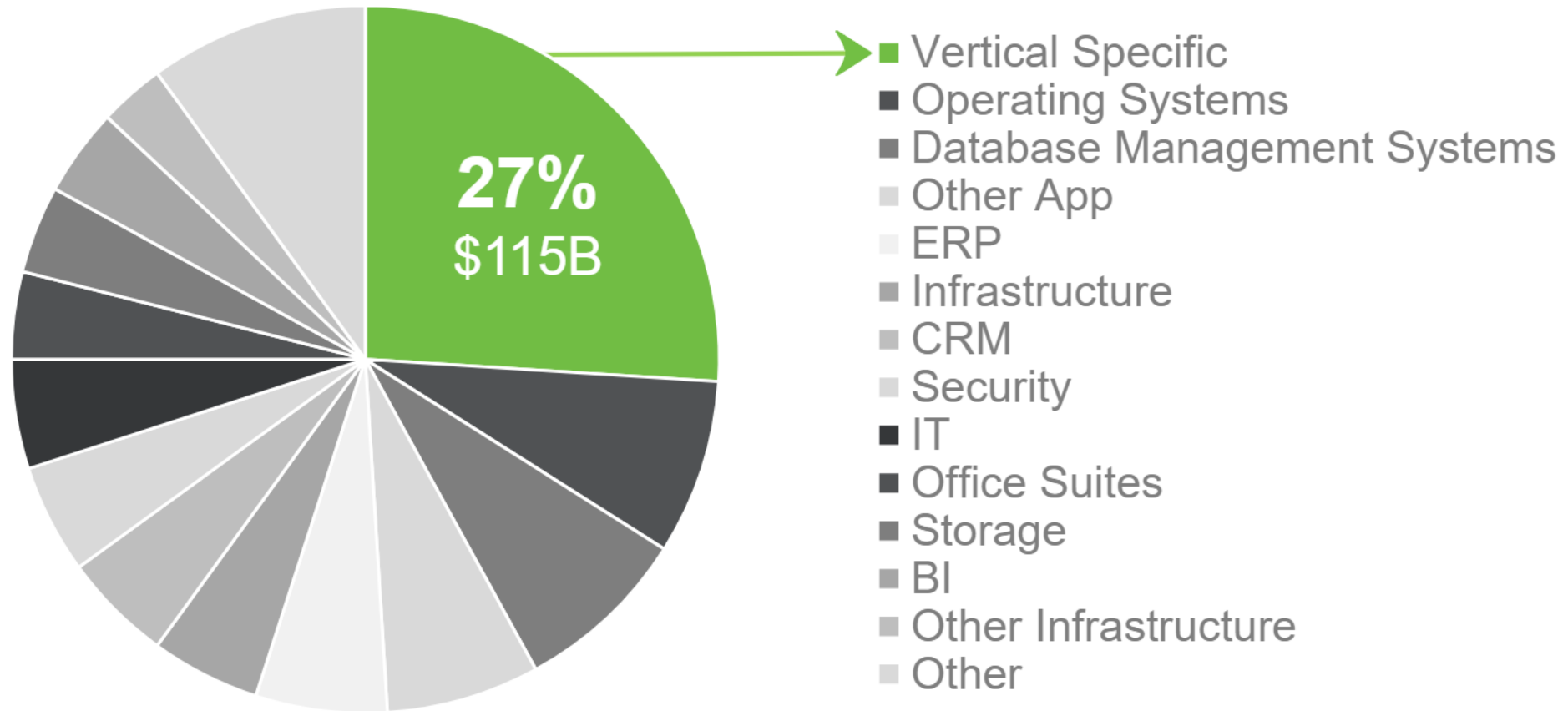
Financial Performance



HUMANE SOCIETY
—of Indianapolis—

Vertical Specific Software is the Most Significant Component of Total World-wide Software Spend

Total Worldwide Software Market Share, 2014



The Nonprofit Industry is Significant

\$358B

Charitable giving
to U.S. nonprofits
in 2014

3M+

Nonprofit
organizations
around the world

1M+

Nonprofit
organizations in
the United States

65K+

Increase in the
number of U.S.
nonprofits from
2013 to 2014

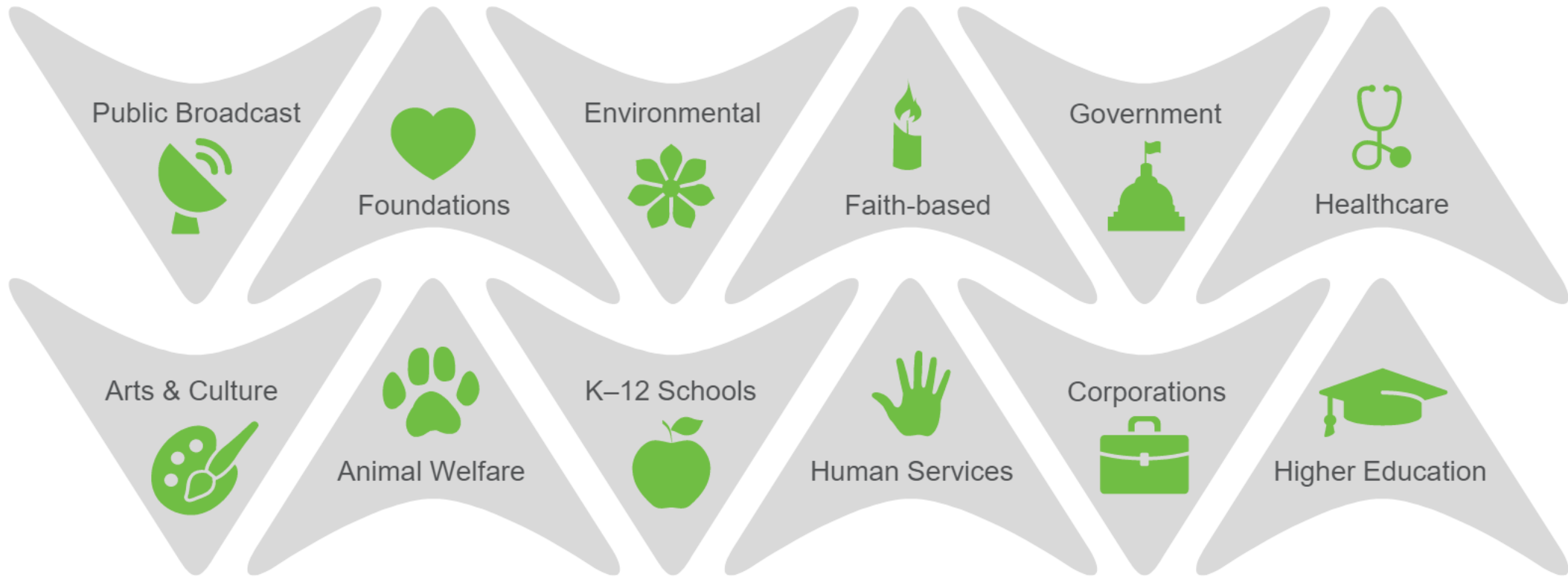
3rd

Largest U.S.
workforce after
retail and
manufacturing

\$1.5T+

U.S. nonprofit
annual revenue
and expense
in 2014

Extensive Experience in the Nonprofit Market

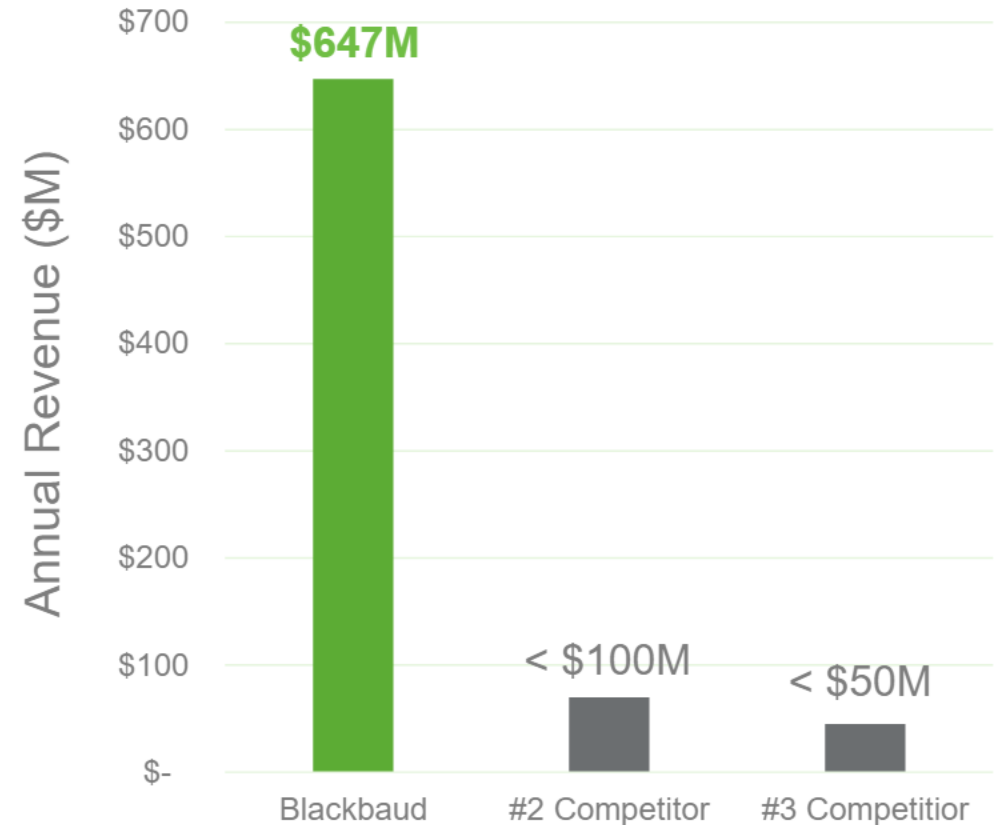


- ▶ Approximately 35,000 organizations use one or more Blackbaud solutions
- ▶ We have 35 years of experience
- ▶ Our solutions manage more than \$100 billion in global giving across all verticals

Clear Market Leader

- Blackbaud is the largest software vendor focused on the global philanthropic market
- Wide gap between Blackbaud and our nearest competitor
- Large customer base with high retention
- Highly fragmented competition offering single-point solutions
- Only Blackbaud offers the full portfolio of integrated solutions

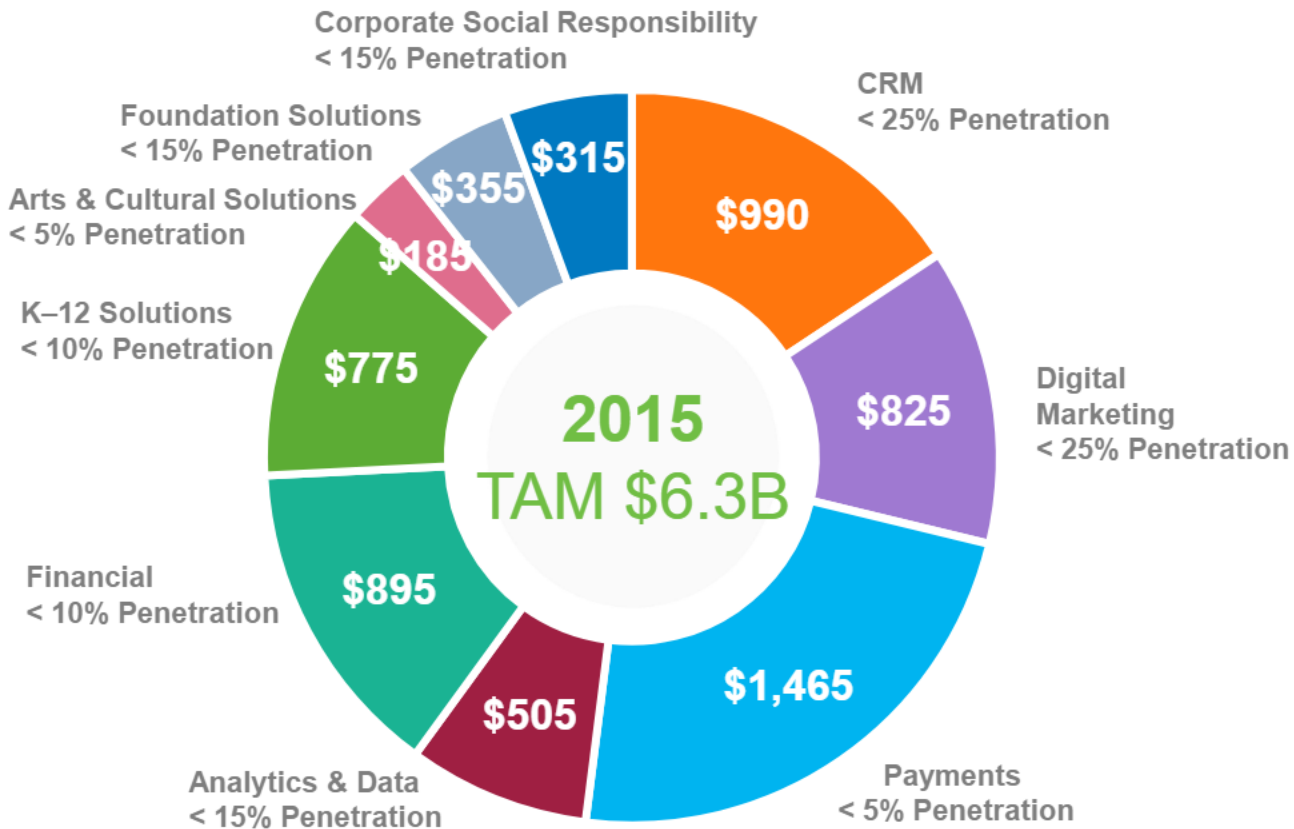
2015 Philanthropic Market



\$15 Billion Total Market Opportunity

\$6.3 Billion TAM is Large, Underpenetrated...

...and Growing



\$15B Total Market

\$7.3B 2017 TAM

Growing
7%+
CAGR

Agenda

Our Markets

► **Key Differentiators**

Strategy for Growth

Financial Performance



WAKE FOREST
UNIVERSITY

Unmatched Domain Expertise and Capability...



Market Leadership

Sales

Services

Solutions

Industry knowledge

Philanthropic focus



Big Data and Analytics

Industry's largest dataset

Prospect research

Database maintenance

Campaign optimization

Performance benchmarking



Thought Leadership

The industry authority

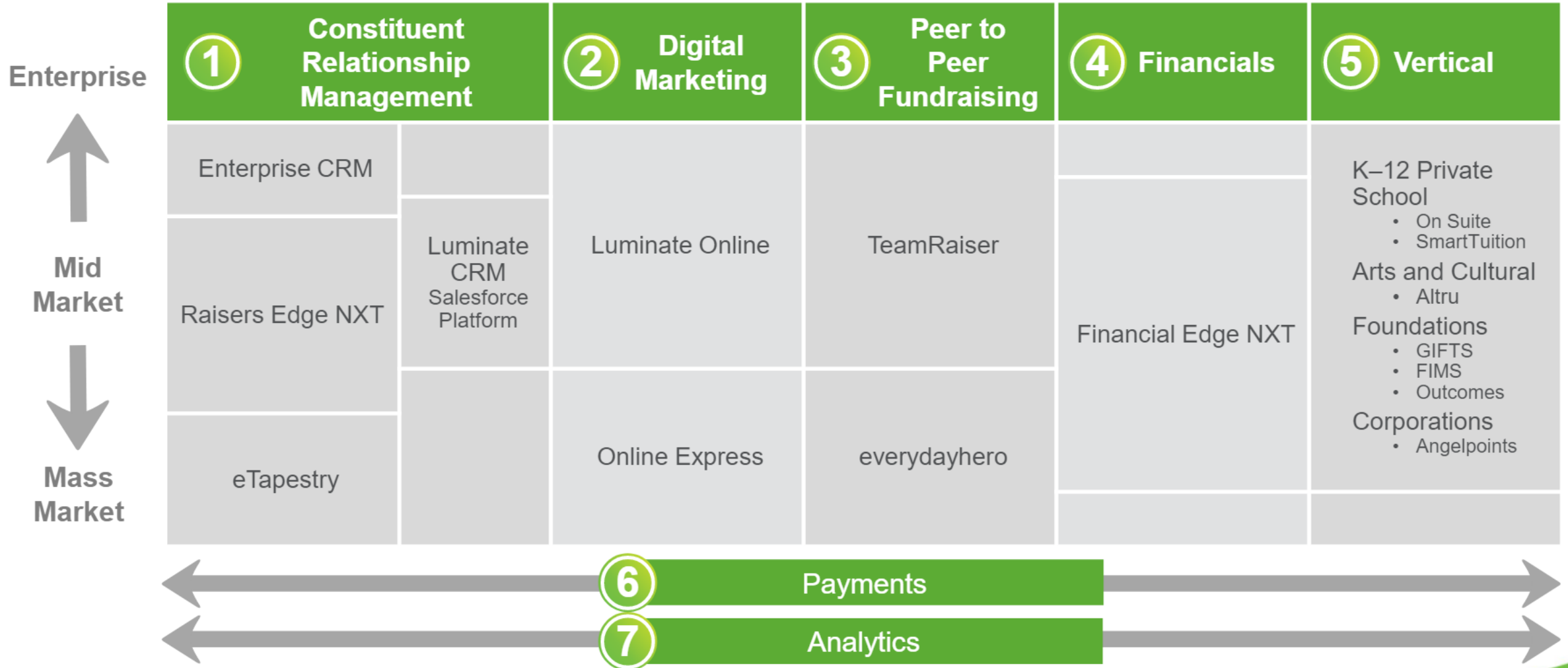
Employ industry experts

Customer education

Industry reports

User conferences

...The Market's Only Complete Solution Offering...



...with a Growing Ecosystem

Blackbaud is building the world's largest philanthropic partner network.



- Launched Blackbaud Partner Marketplace in 2015
- Philanthropic industry's first and only Partner Network
- Over 180 partners and growing quickly
- VAR program introduced in 2016



- Blackbaud's modern, integrated, and open cloud
- High performance micro services architecture
- SKY UX™ a consistent any-where accessible and always modern user experience
- SKY API™ open environment provides customers, partners, and application developers access to industry standard REST APIs to customize and extend functionality
- Microsoft Azure – Strategic Partner

Agenda



Our Markets

Key Differentiators

► **Strategy for Growth**

Financial Performance

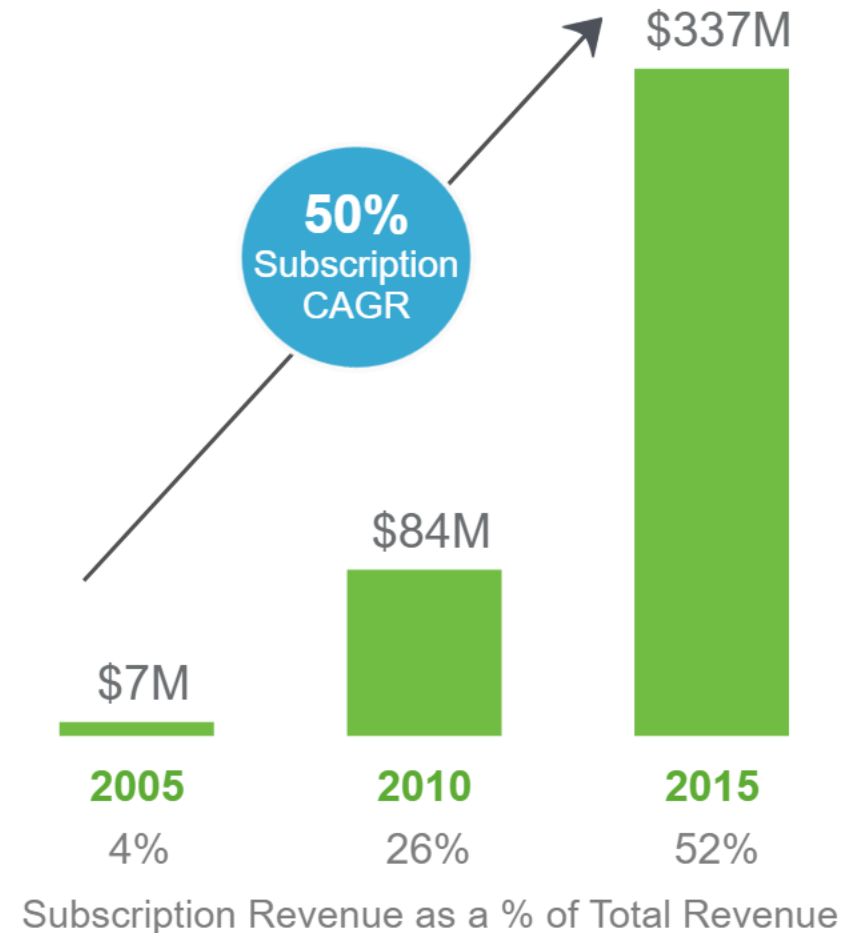
HOPE

Strategy for Growth—Five Key Areas

- 1 Integrated and open solutions in the cloud
- 2 Drive sales effectiveness
- 3 Expand TAM through strategic acquisitions or solution expansion into new and near adjacencies
- 4 Streamline operations
- 5 Execute the margin improvement plan

Integrated and Open Solutions In the Cloud

- Shifted mid-market solutions to the cloud
- Integrating products to offer total solutions
- Customers, partners, and developers can customize, integrate, and extend functionality
- Instrumented to understand customer needs
- High velocity engineering environment
- Mobile first—anytime, anywhere



Drive Sales Effectiveness

Strategy

- Increase effectiveness
 - Investing in systems and tools
 - Customer Success Team
- Expand direct sales
 - Add headcount
 - Deploy sales into the field
- Expand indirect sales
 - Introduced VAR program in 2016

Outcome

- Sales efficiency
- New sales channels
- Improved market coverage
- High customer satisfaction
- Increased revenue growth

Expand TAM Through Strategic and Near Adjacency Acquisitions

	Expand TAM	Strategic Acquisition	Enter Near Adjacency	Accelerate Shift to Cloud	Accelerate Rev Growth	Accretive Margins
	+\$0.7B		✓	✓	✓	✓
	+\$0.6B	✓		✓	✓	✓
	+\$0.3B		✓	✓	✓	✓

Smart Tuition 10/2015 \$187.8M purchase price

MicroEdge 10/2014 \$159.8M purchase price

WhippleHill 6/2014 \$35.0M purchase price

Streamline Operations



Blackbaud Quality Initiative



RESULT

Enhanced speed
 Better accuracy
 Enriched quality
 Highly scalable
 Improved efficiency
 Margin expansion

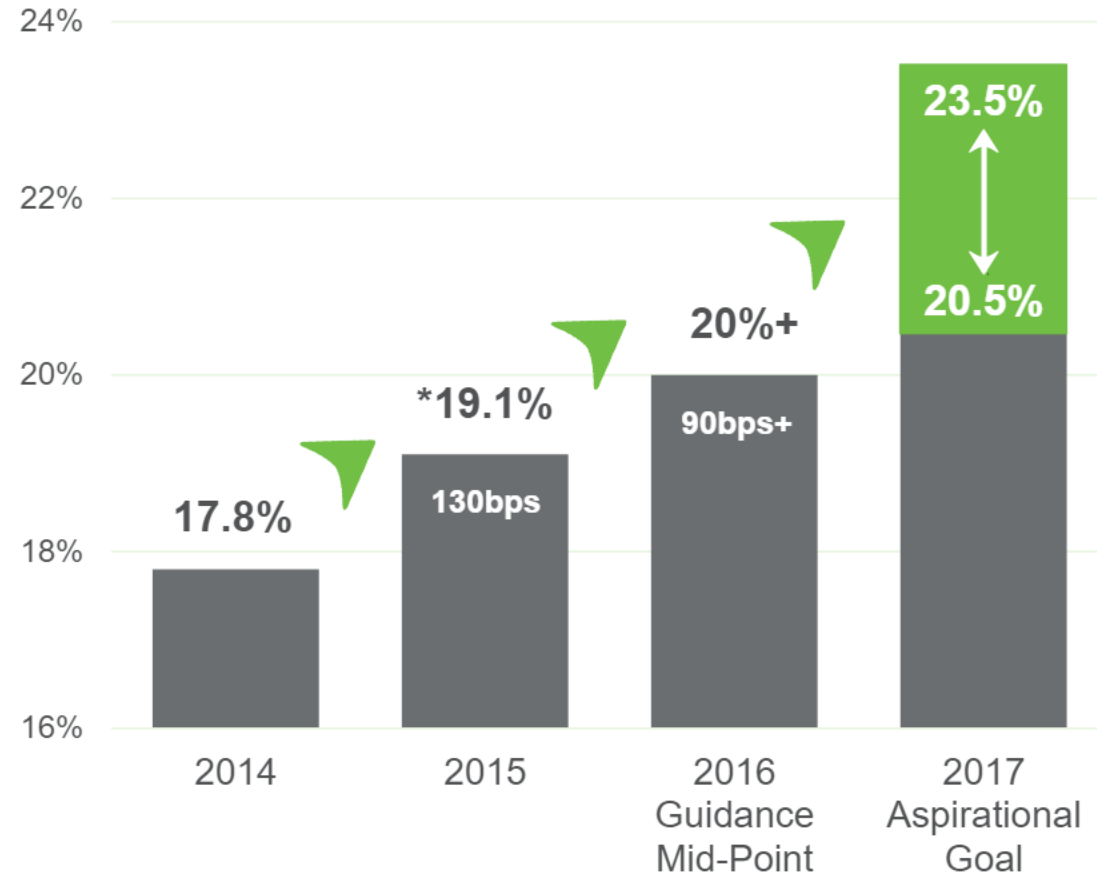
Execute Margin Improvement Plan

Strategy

- ▶ Infrastructure investments
 - Single solutions
 - Best of breed platforms
 - Automation
- ▶ Operational excellence
 - Simplify
 - Standardize
 - Optimize



Operating Margin



NonGAAP operating margin

Agenda

Our Markets

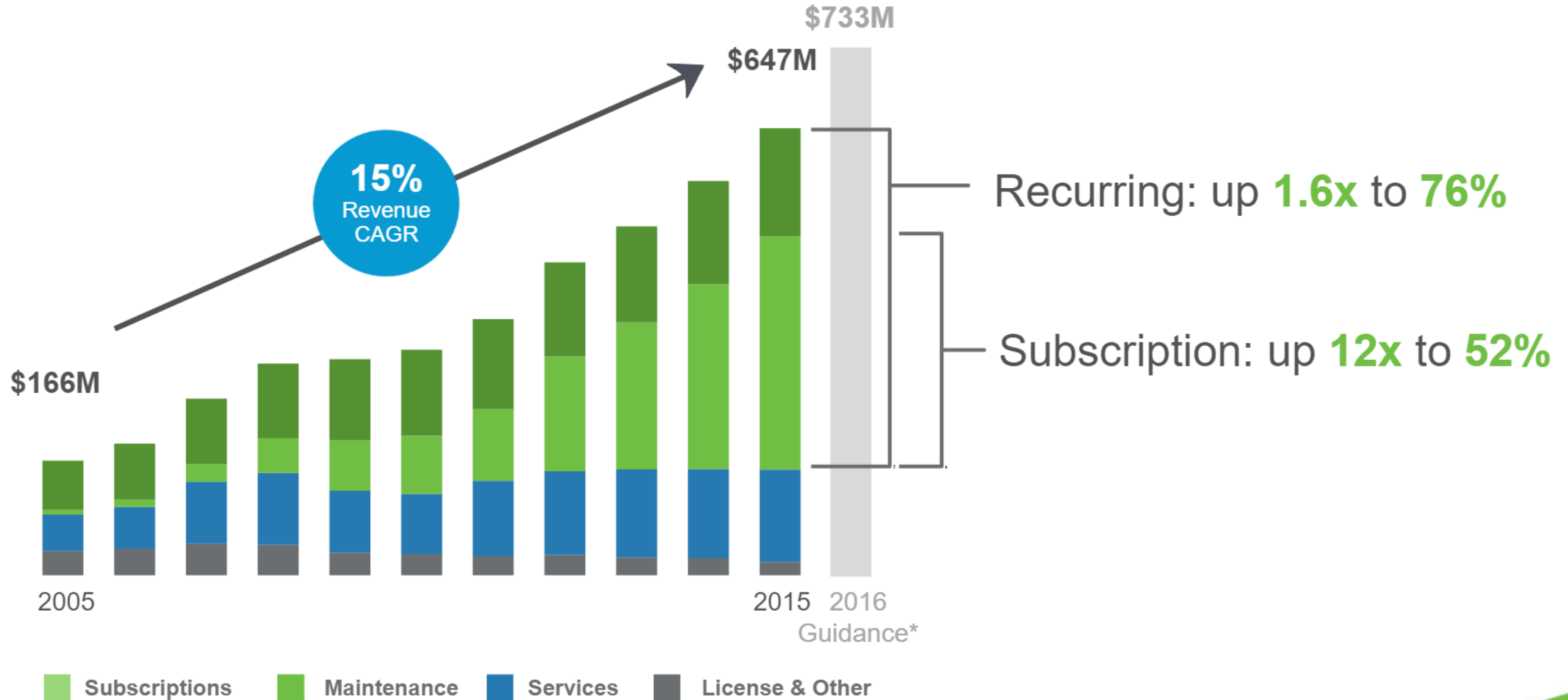
Key Differentiators

Strategy for Growth

➤ **Financial Performance**

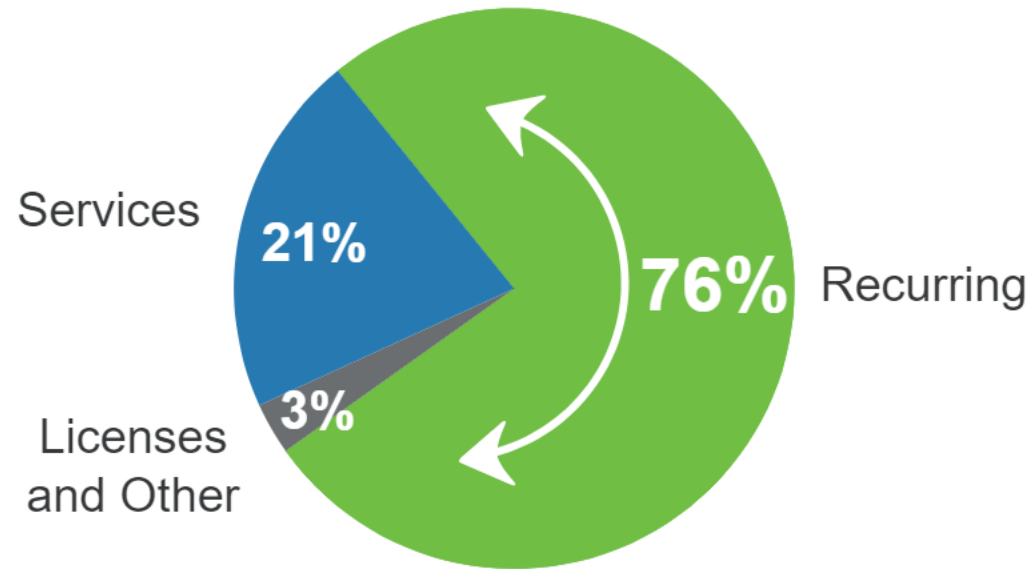


Strong Revenue Growth with Positive Mix Shift



Significant Expansion of Recurring Revenue...

Mix 2015

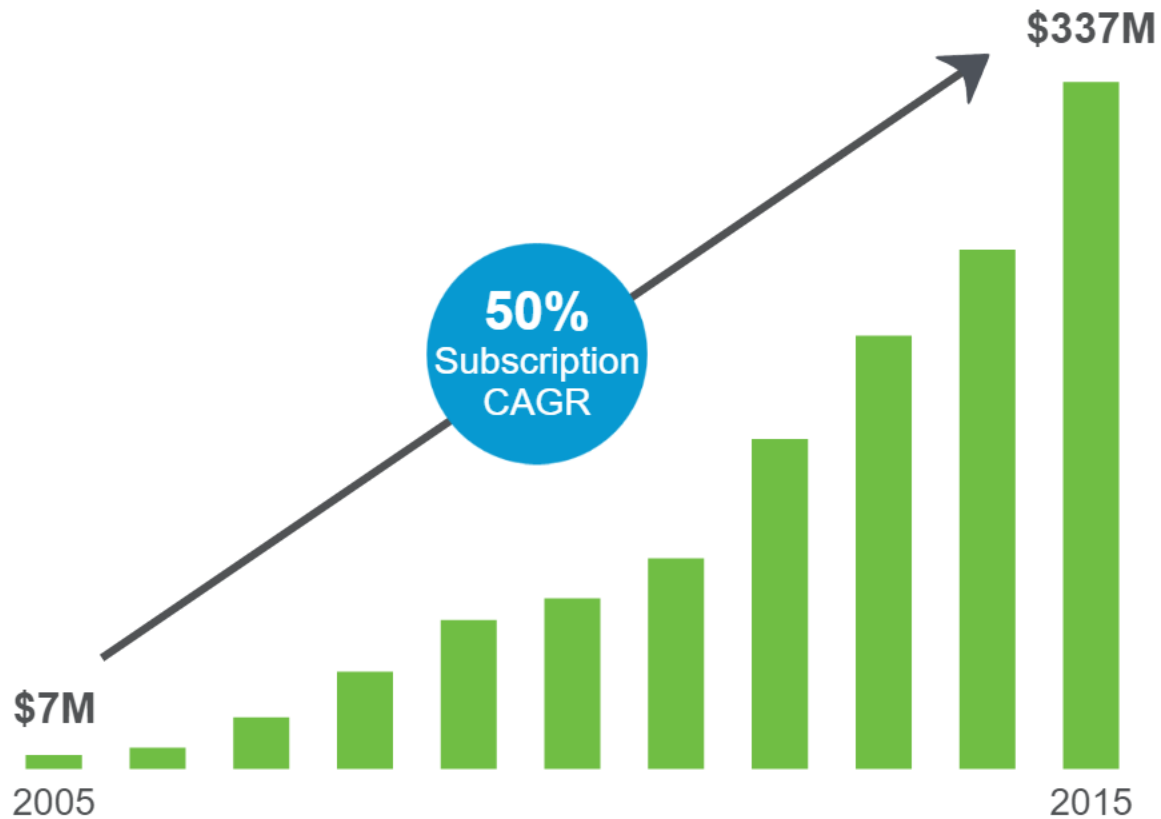


Recurring Revenue



...Fueled by Accelerating Subscription Revenue

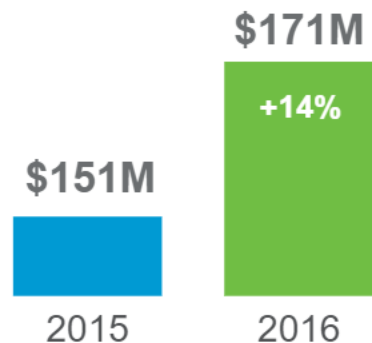
Key Drivers



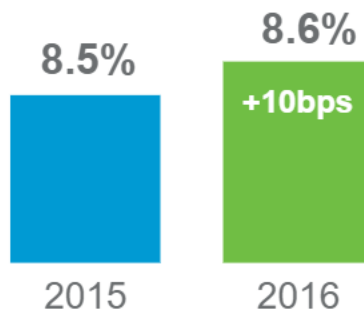
- ✓ Growing portfolio of cloud-based subscription offerings
- ✓ Added feature/functionality
- ✓ Integration of solutions in the cloud
- ✓ Market shifting online
- ✓ Capturing payment processing
- ✓ Cloud-based acquisitions

Strong First Quarter 2016 Performance

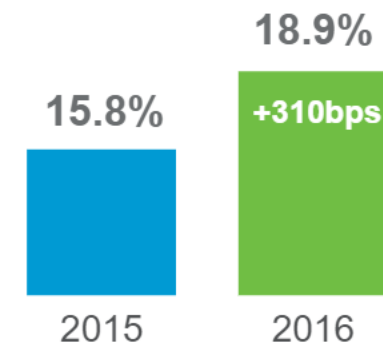
Revenue



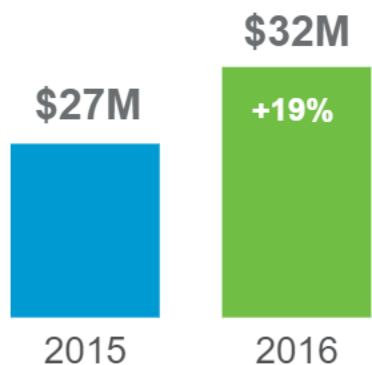
*Organic Revenue



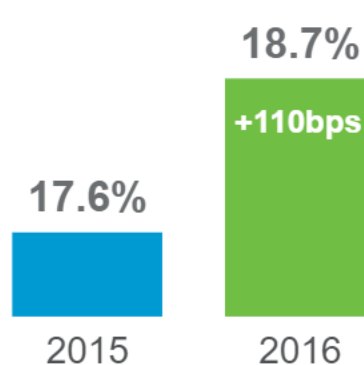
Organic Subscriptions Revenue



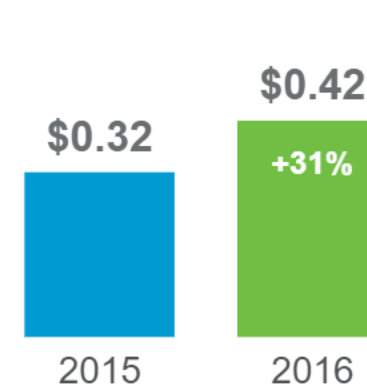
Operating Income



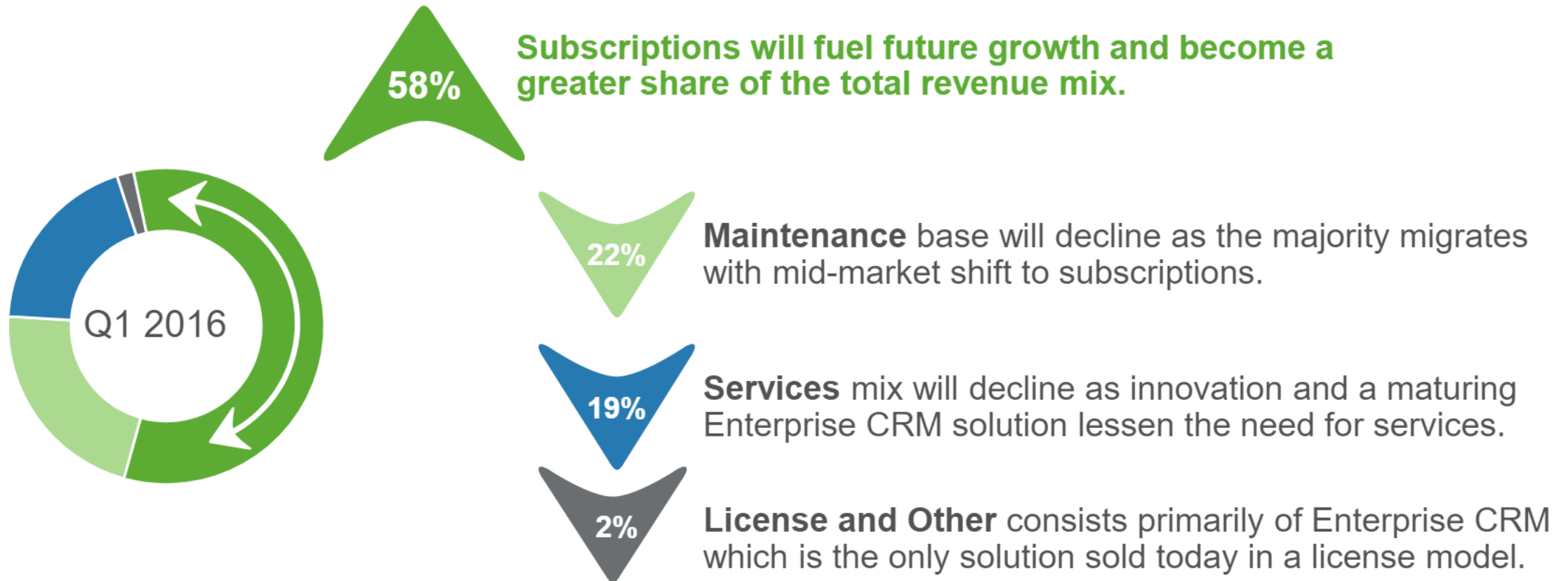
*Operating Margin



Diluted EPS



Continued Positive Shift Towards Subscription Revenue



Disciplined Capital Strategy

2016 Guidance
Operating Cash Flow
\$145M to \$155M *

~55%

Growth and operating initiatives

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



~25%

Maintain strong balance sheet

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



~20%

Return of capital to shareholders*

- Dividend of \$0.48 per share
- Share repurchase—\$50M authorized and available



Long-Term Aspirational Goals (Updated Feb 2016)

Goals assume 2014 constant currency

Benchmarks	Full Year 2014	Full Year 2015	Guidance Mid-Point 2016	Goals 2014 - 2017
Non-GAAP organic revenue growth	7.1%	7.7%	9%+	6%–10% Annually
Non-GAAP operating margin	17.8%	19.1%	20%+	20.5%–23.5% Exiting 2017
Aggregate cash flow from operations	\$102M	\$114M	\$150M	\$500M–\$550M

28 Goals are based on 2014 - 2017 long-term aspirational financial goals re-issued 2/9/15, assuming 2014 constant currency presentation. This slide contains forward-looking statements and we refer you to our notice on slide 2. 2015 assumes 2014 constant currency. Without normalizing for constant currency, organic revenue growth in 2015 was 6.1% and operating margin 18.8%. In 2016 organic revenue growth would be 8%+ and operating margin 19%+.

Guidance (Issued Feb 2016)

Strong Double-Digit Growth Across Categories

		Mid Point	YoY Growth	Est. FX Impact
Non-GAAP Revenue	\$725 million–\$740 million	\$733M	Up 13%	\$2M–\$3M
Non-GAAP Operating Income	\$141 million–\$147 million	\$144M	Up 18%	\$1M–\$2M
Non-GAAP Operating Margin	19.4%–19.9%	19.7%	Up 90 bps	~10 bps
Non-GAAP Diluted EPS	\$1.90–\$1.98	\$1.94	Up 30%	~\$0.01
Cash Flow from Operations	\$145 million–\$155 million	\$150M	Up 31%	\$1M–\$2M

Two headwinds impacting revenue growth and profitability in 2016:

- 1 Mid-market shift to cloud-based Raiser's Edge NXT and Financial Edge NXT
- 2 Foreign currency fluctuations

Improving Shareholder Value

PERFORMANCE



Accelerating performance inclusive of temporary headwinds

GOALS



On track to deliver long-term aspirational goals —
Executing 5-point growth strategy

CLOUD



Early days of integrated cloud solution strategy—
High future impact

CAPITAL
STRATEGY



Significant cash flow and strong balance sheet