

blackbaud

Recommendation: **SELL**

19.26% 

12 Month Price Target: \$64.27

Last Close (02/02/24): \$80.34

Andrea M. Fougnyue S. Kaycee S. Christopher B.



BLACKBAUD SOFTWARE POWERS SOCIAL GOOD

blackbaud

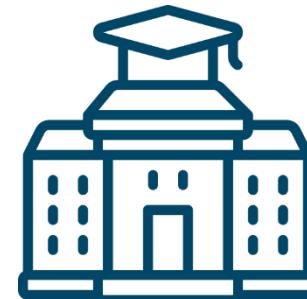
An ideal partner for mid-sized organizations looking for comprehensive solutions



K-12



Higher Education



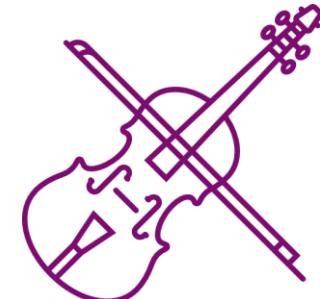
Hospitals



Philanthropy



Arts



Sources: Blackbaud Website, Team Consensus

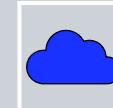
Four-point strategy to maintain market leadership



Expand Total Addressable Market



Lead with World Class Teams and Operations



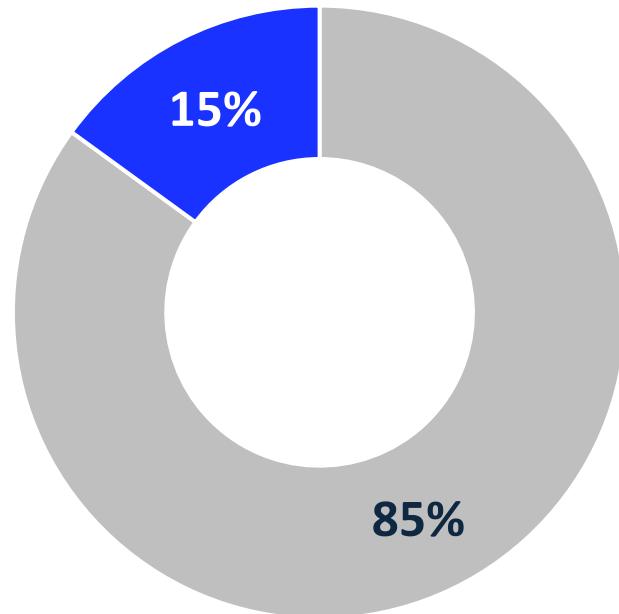
Delight Customers with Solutions



Focus on Employees, Culture, and ESG

Source: Blackbaud 2022 10-K

REVENUE FROM FOR-PROFIT SECTOR



■ Non-profit Sector ■ For-profit Sector

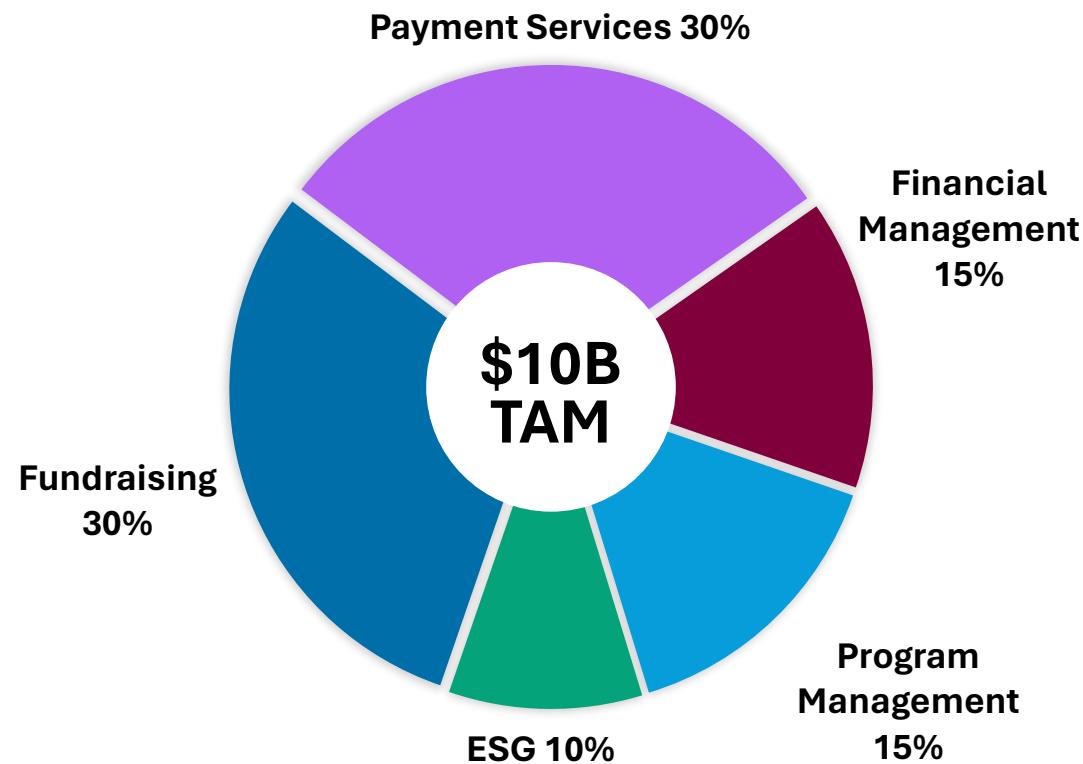
COMPETITORS



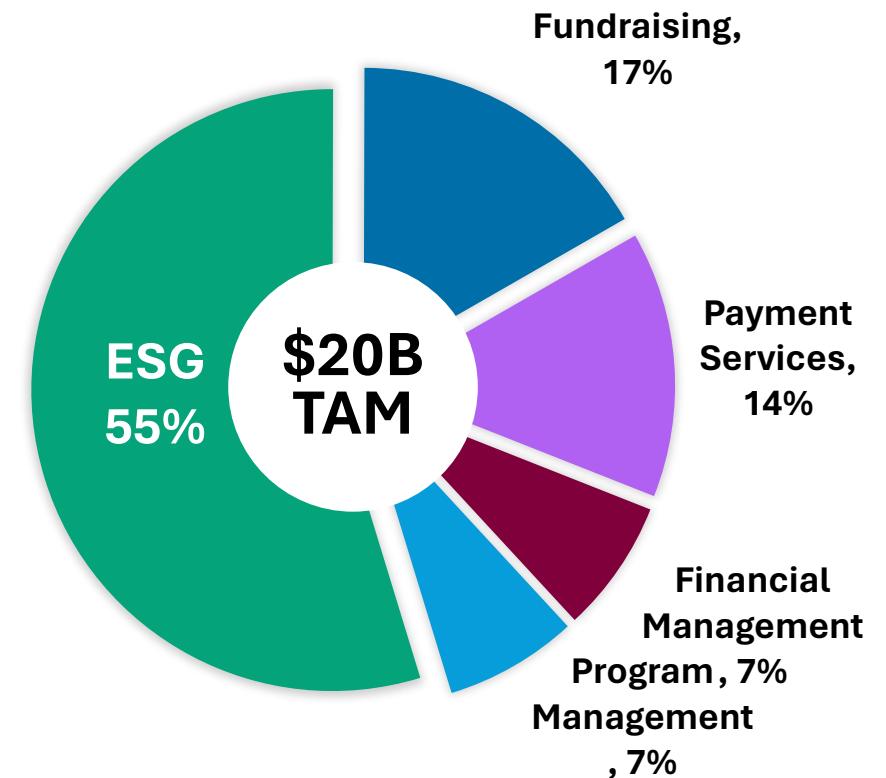
Source: Management Q&A Presentation

2x increase in TAM through EVERFI acquisition

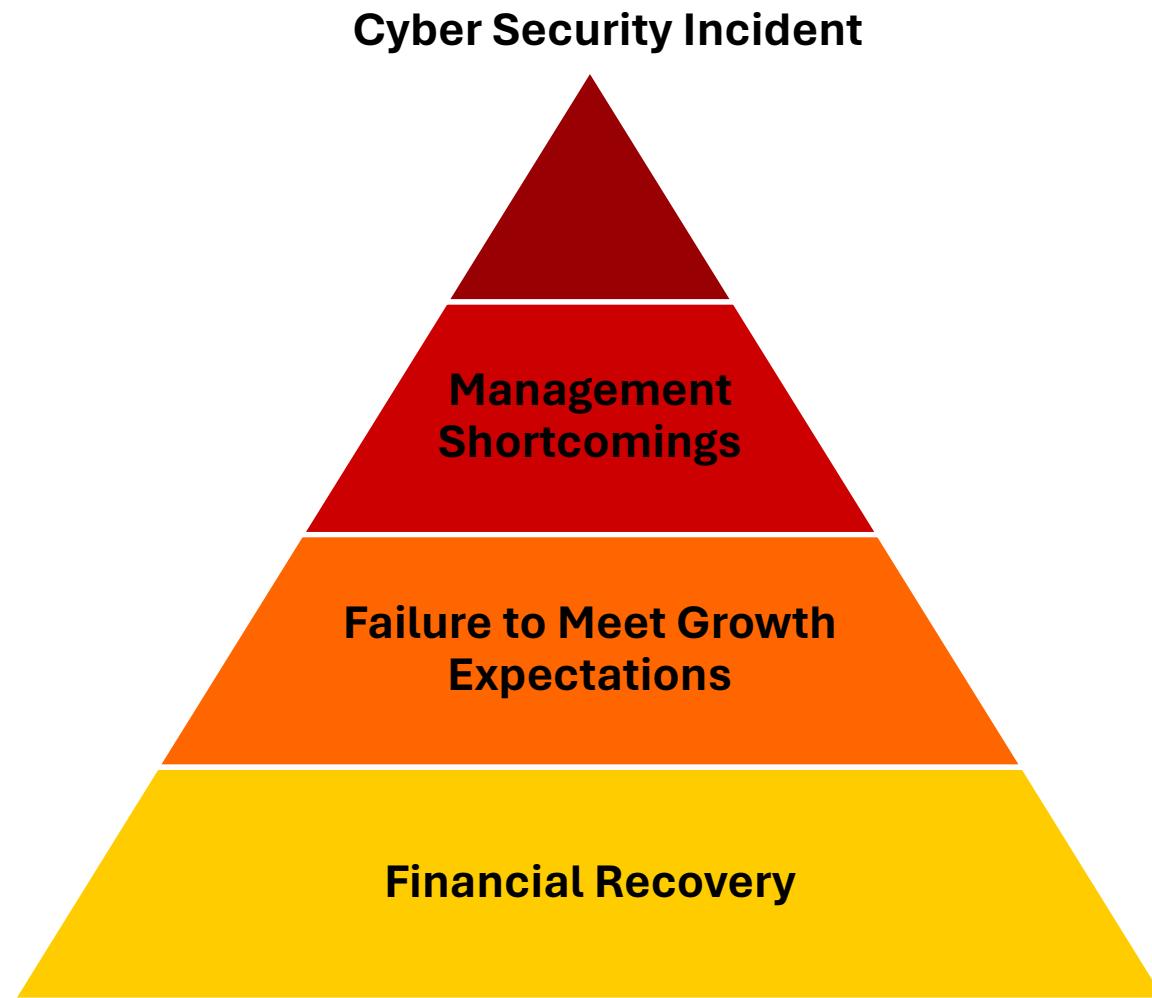
TAM BEFORE EVERFI ACQUISITION

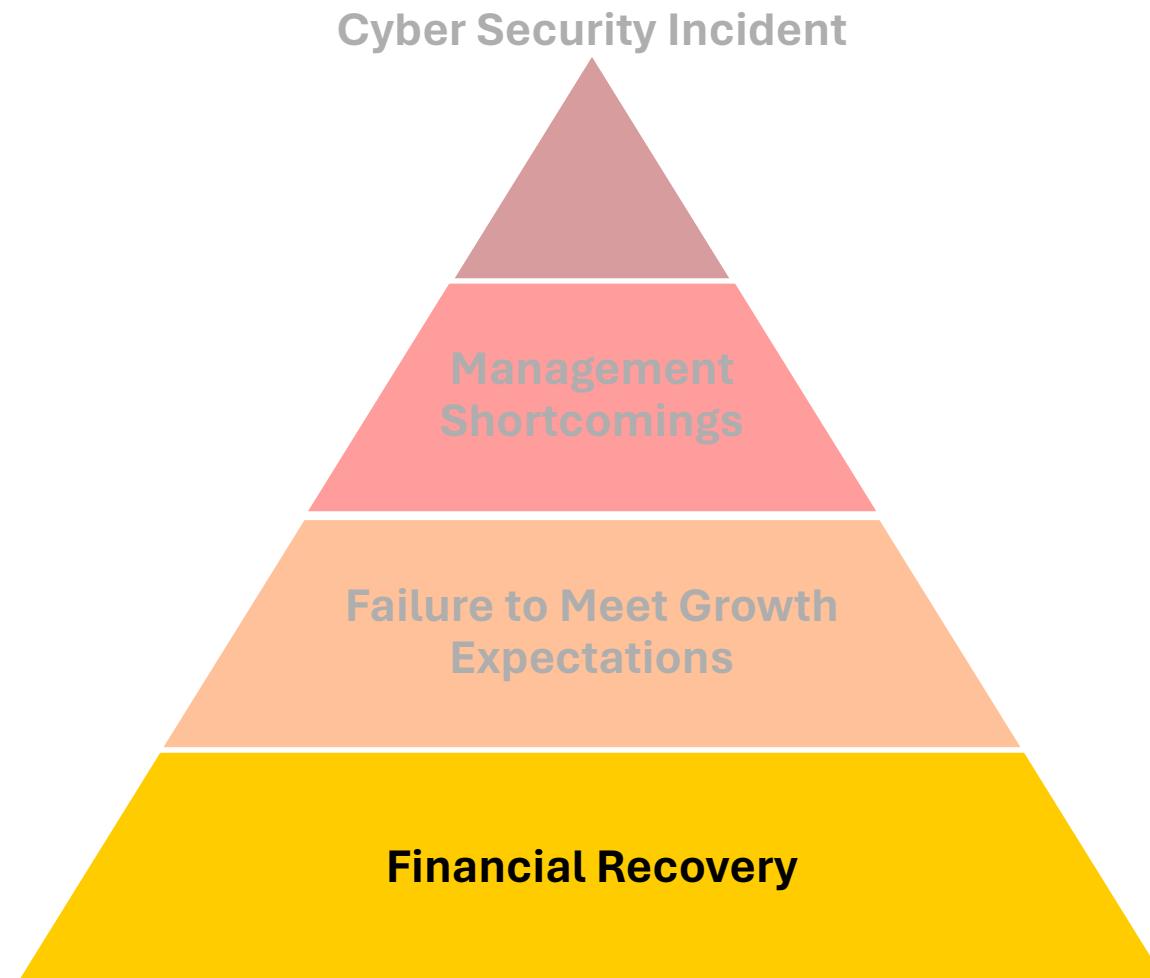


TAM AFTER EVERFI ACQUISITION



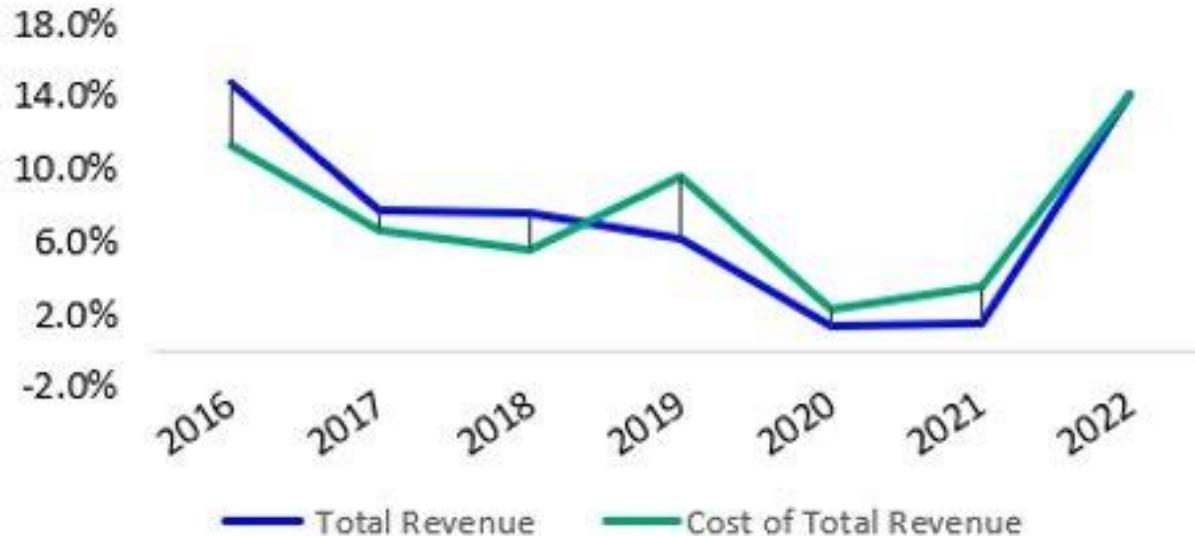
Source: Blackbaud Investor Presentation Q3 2021 and Q4 2021



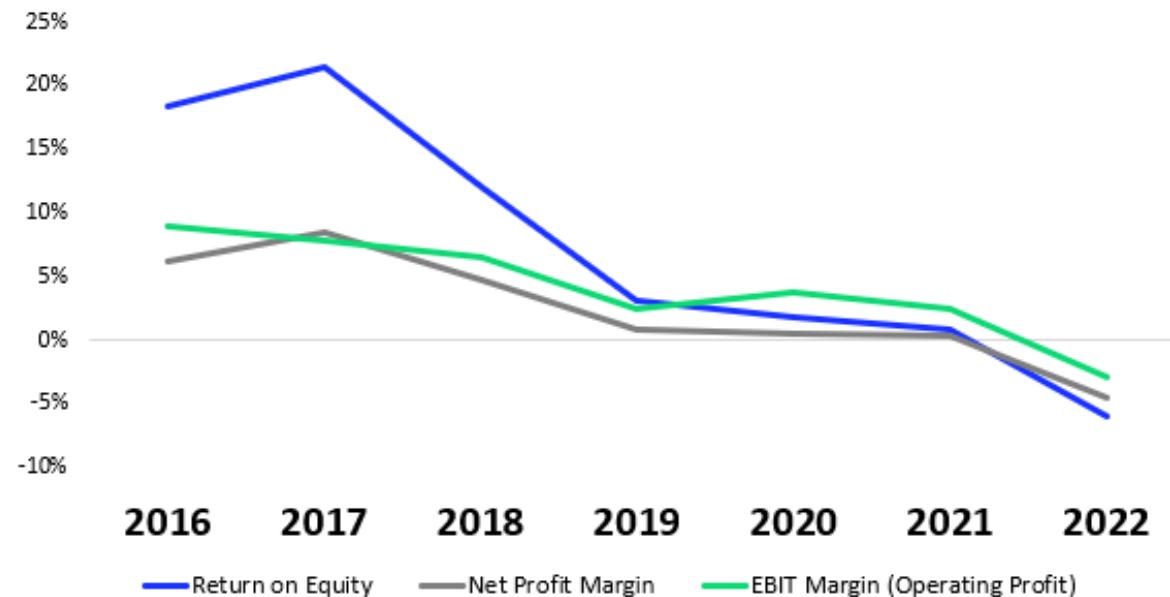


Four years of adverse conditions affected Blackbaud's financial environment

YEAR-OVER-YEAR GROWTH RATE OF REVENUE & COSTS OF REVENUE



MARGIN TRENDS SHOW VOLATILITY

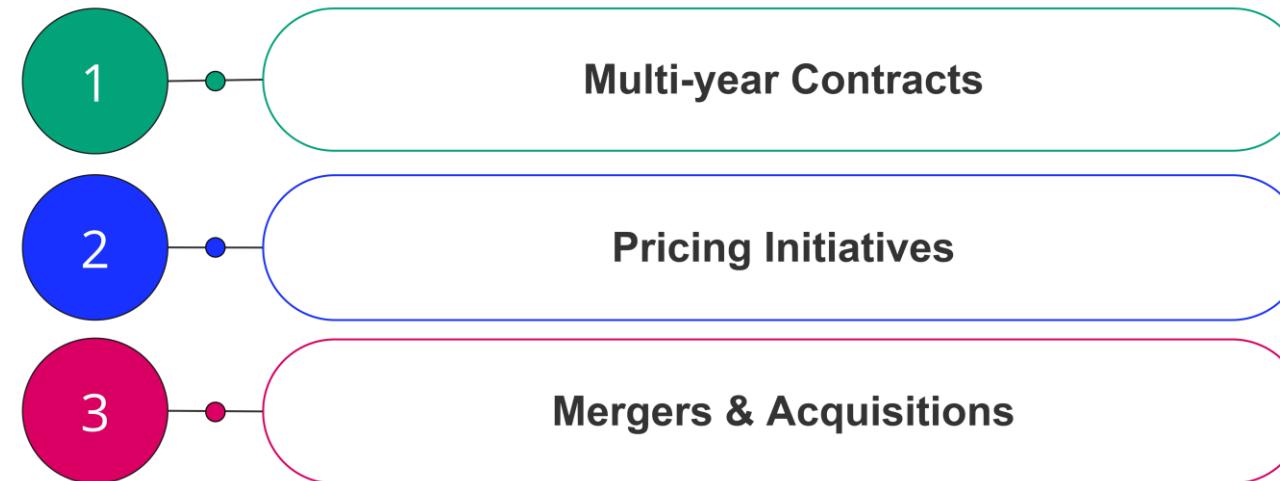


Source: Company Data Team Consensus

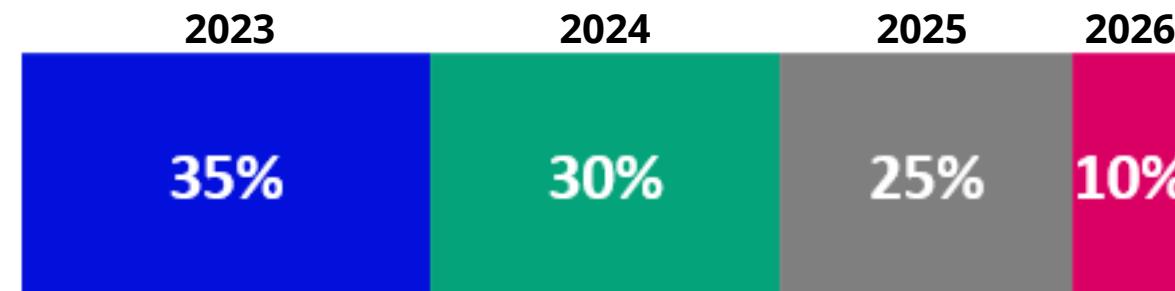
Drivers may guide revenue and margins back to normal

Growth Drivers

90% of cohorts choose to renew their contract under the 3-year strategy



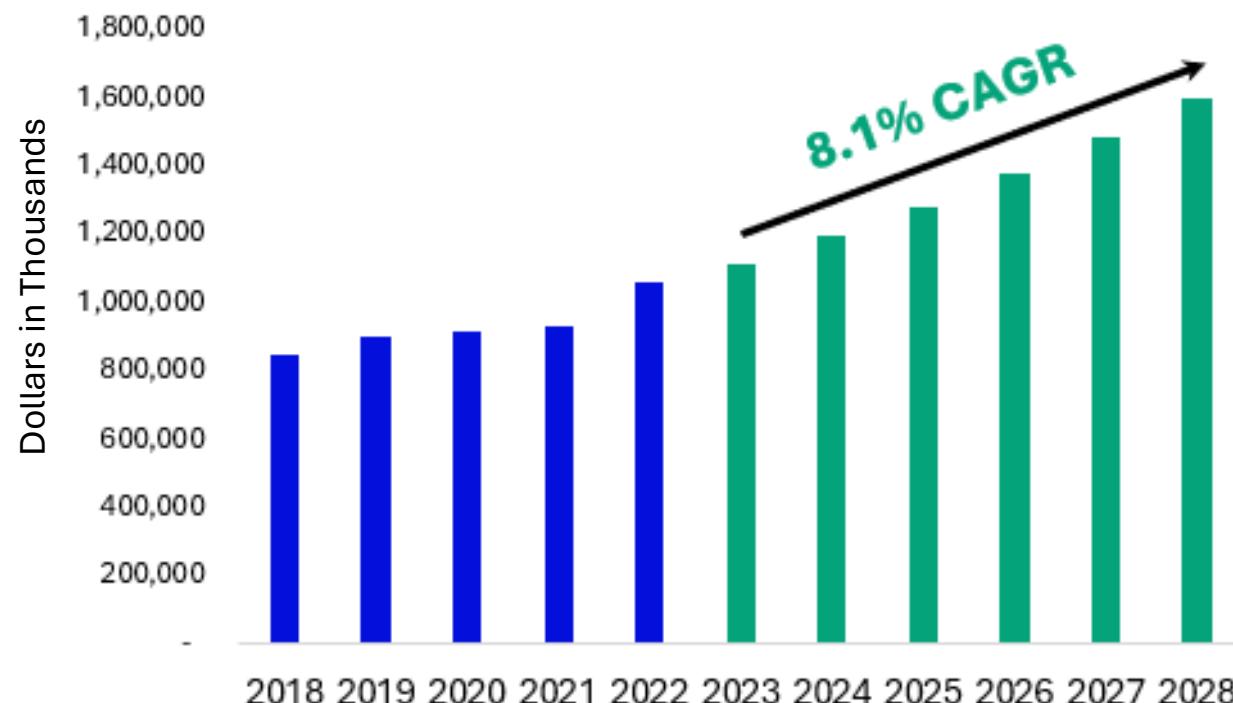
Mix of contracts eligible for renewal



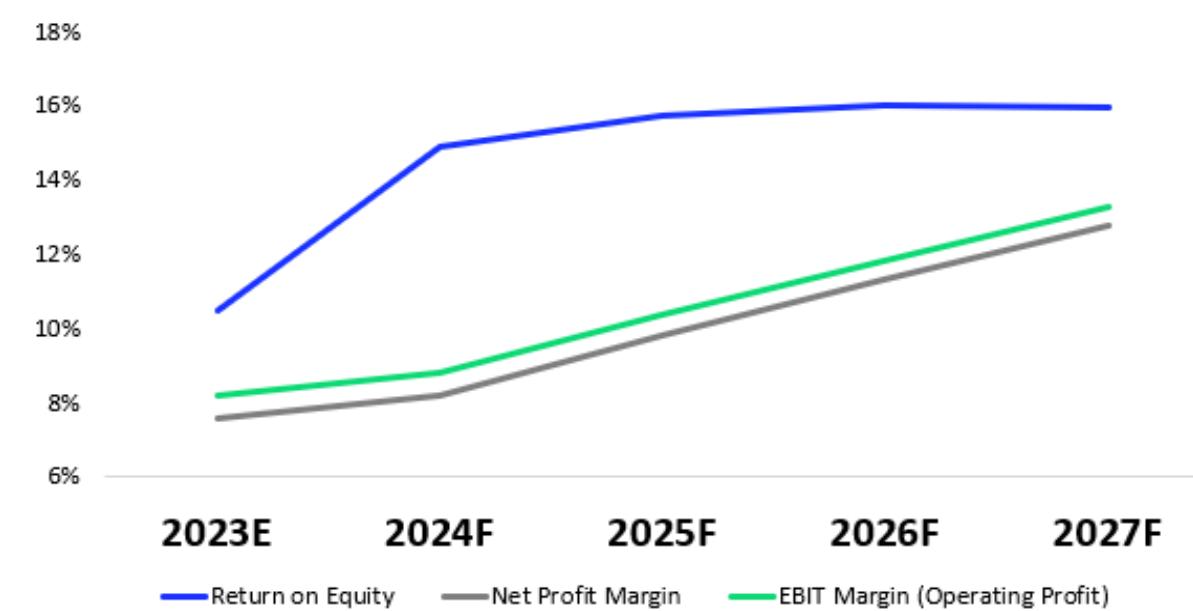
Source: Blackbaud Investor Presentation Q3 2023

CAGR & Profit Margins expected to return to pre-2019 rates

REVENUE 2018 - 2028



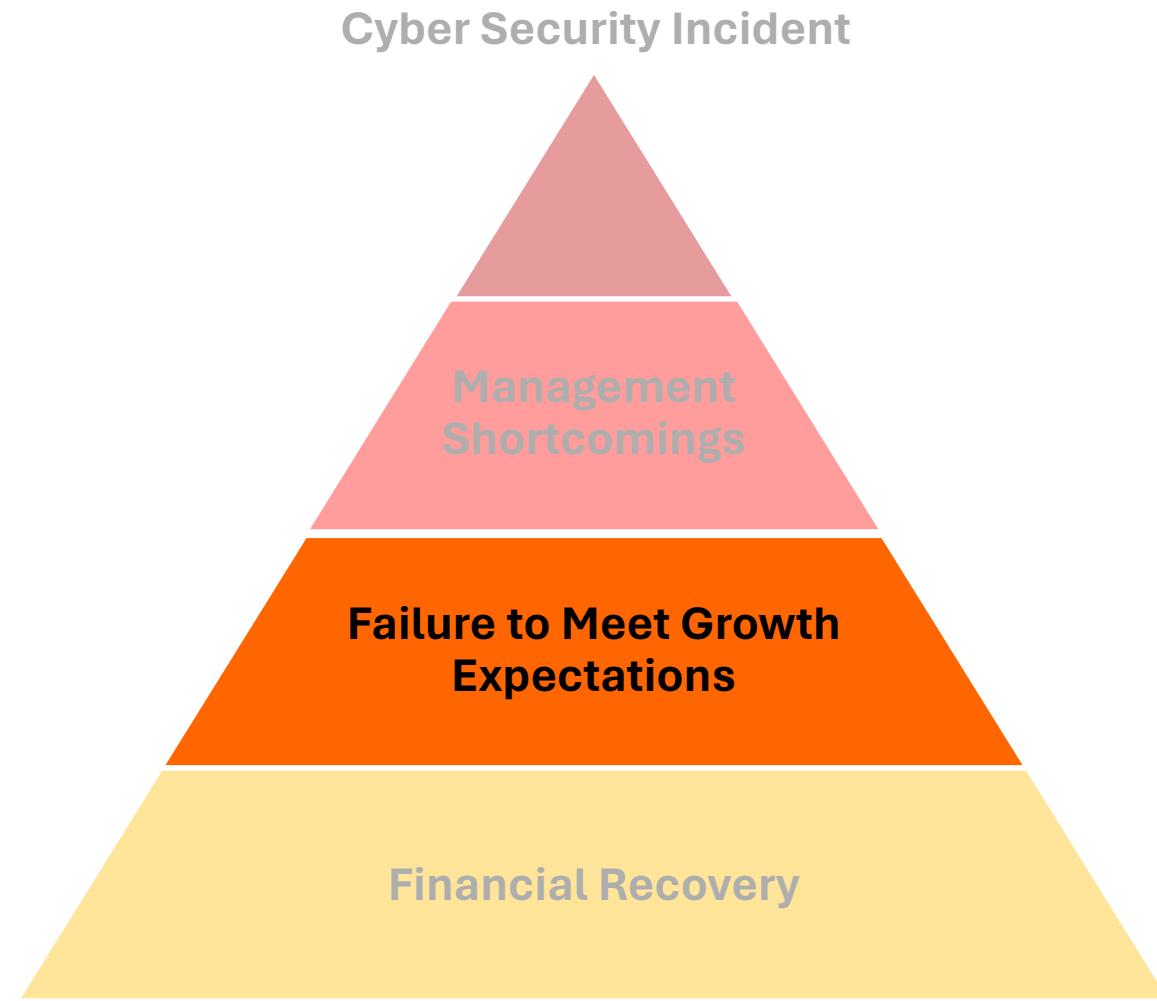
MARGIN ARE EXPECTED TO REBOUND



Source: Company Data, Team Consensus

FAILURE TO MEET GROWTH EXPECTATIONS

blackbaud



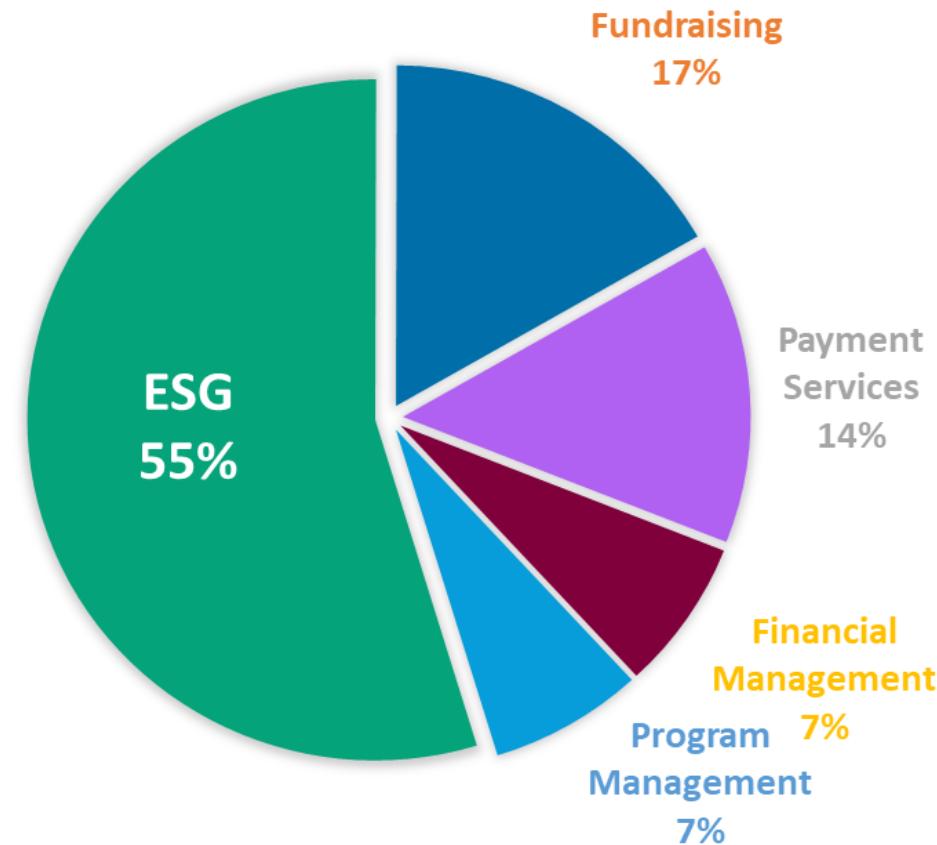
FAILURE TO MEET GROWTH EXPECTATIONS

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M&A led to growth in Corporate Social Responsibility (CSR) and ESG Revenue

BLACKBAUD'S TOTAL ADDRESSABLE MARKET

**CSR and ESG
55% of TAM
(\$11.5B)**



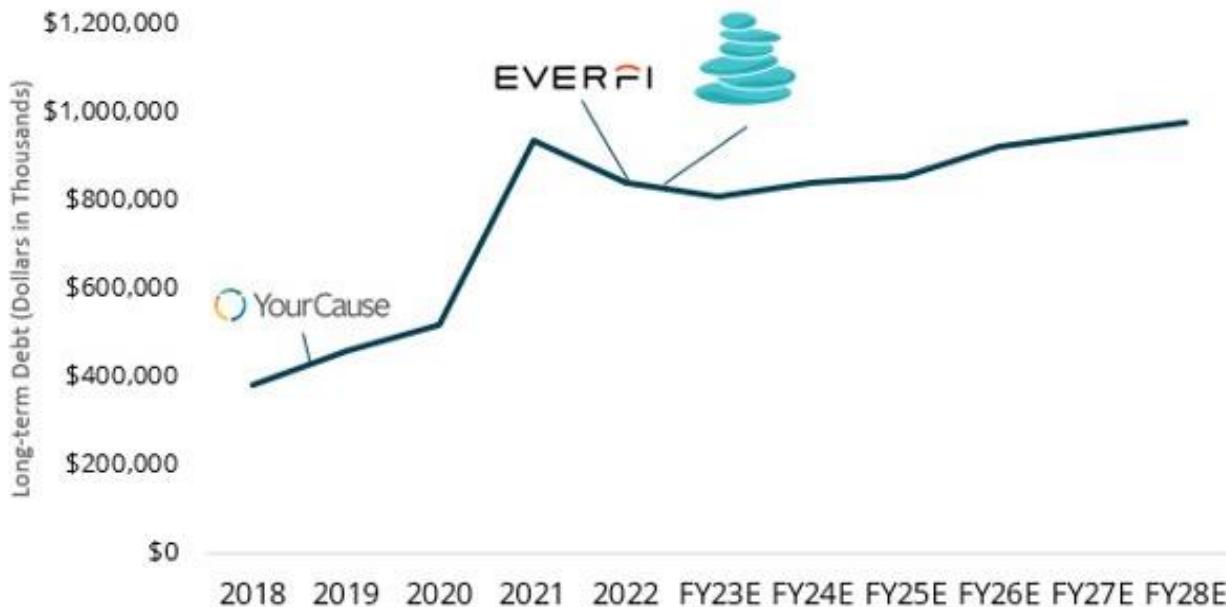
Source: Blackbaud Investor Presentation Q3 2023

FAILURE TO MEET GROWTH EXPECTATIONS

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Acquisitions lead to significant increases in long-term debt

LONG-TERM DEBT & RECENT ACQUISITIONS



FREE CASH FLOW INCREASING



Debt-to-EBITDA ratio is forecasted to fall from 8.83x in 2023 to 4.89x in 2027 due to increase in FCF

Sources: Team Consensus & Company Data

FAILURE TO MEET GROWTH EXPECTATIONS

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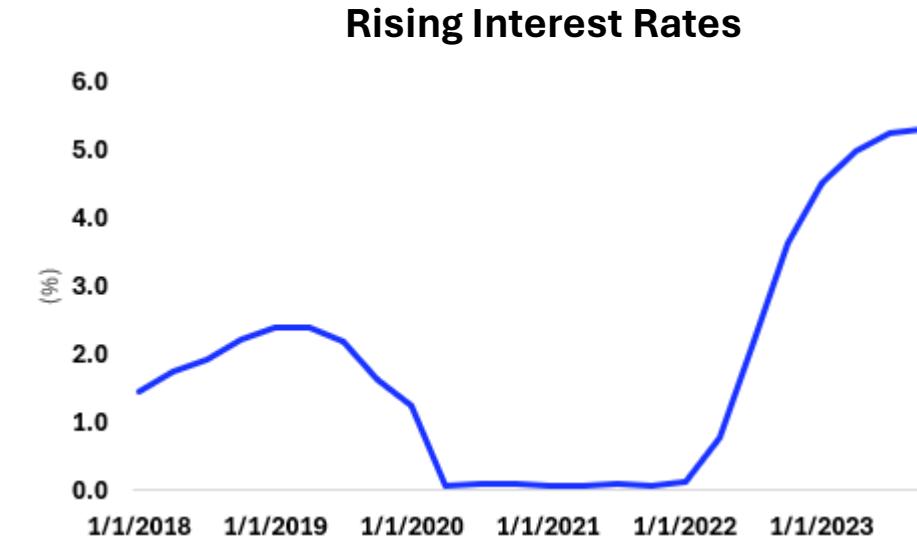
Limited Growth Potential from Everfi and Future Acquisitions

CSR and ESG 55% TAM (\$11.5B)

Blackbaud Penetrates Less
Than 5% of Market

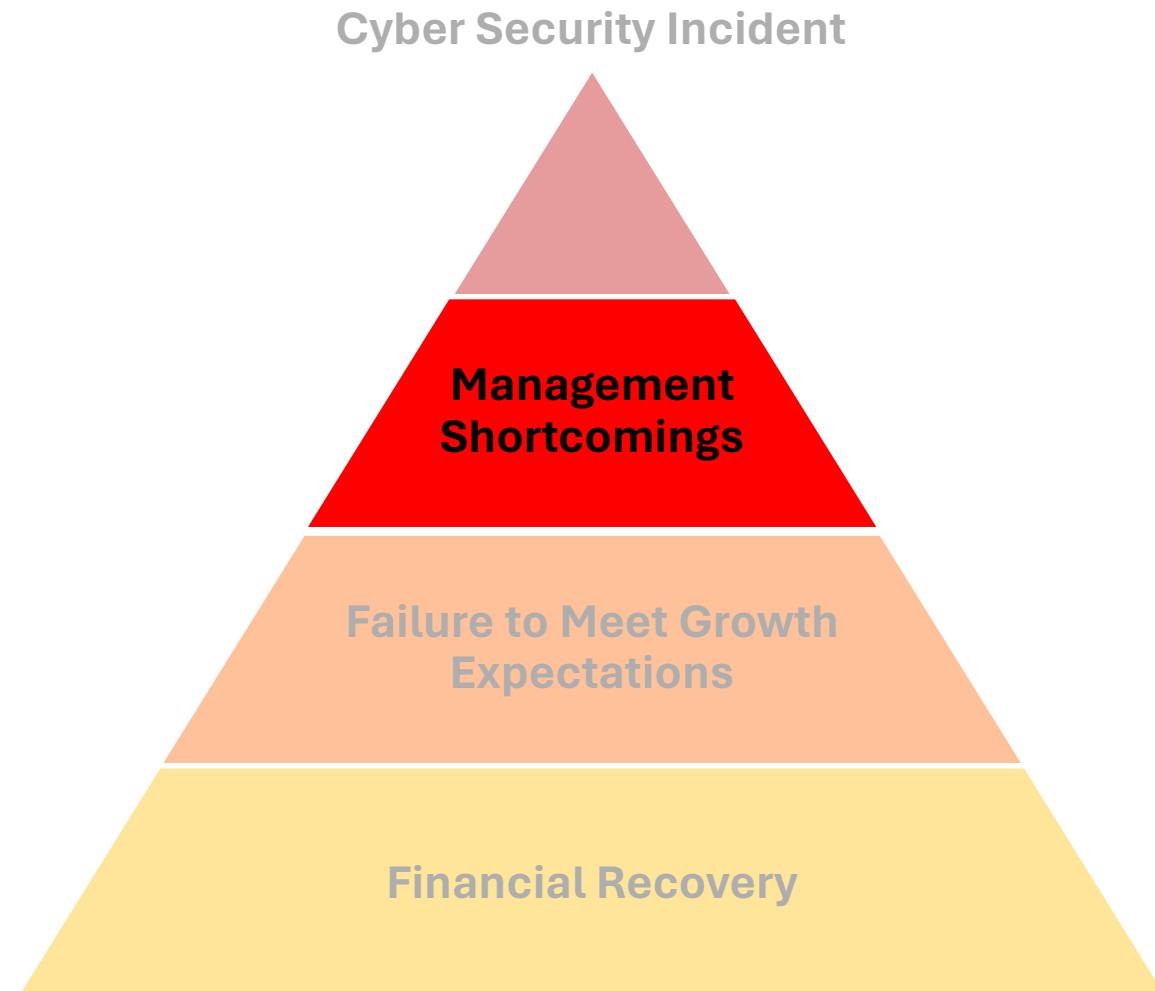


Total CSR & ESG Segment



Revenue growth
due to EVERFI
assumed at 9%

Sources: Team Consensus & Blackbaud Investor Presentation Q3 2023



MANAGEMENT SHORTCOMINGS

Management's concerning behaviors erode customer and investment confidence

blackbaud

HISTORY OF MISLEADING STATEMENTS

"No action is required on your end because no personal information about your constituents was accessed."

-Blackbaud



Software firm Blackbaud to pay \$3 mln for misleading disclosures on ransomware attack -SEC

Reuters

March 9, 2023 5:37 PM CST · Updated a year ago



U.S. SECURITIES AND EXCHANGE COMMISSION

SEC Charges Software Company
Blackbaud Inc. for Misleading Disclosures
About Ransomware Attack That Impacted
Charitable Donors

FOR IMMEDIATE RELEASE
2023-48

CEO UNDER SCRUTINY



Crime United States

Blackbaud CEO Mike Gianoni Arrested for DUI: The Ripple Effect on Company Morale and Future Prospects



Short-term priorities led to increased future costs

MANAGEMENT FAILED TO INCORPORATE SECURITY MEASURES

- Unencrypted Social Security Numbers
- Refusal to Delete Unnecessary Data
- Lack of Two Factor Authentication



Customer Confidence may Hamper Future Growth Potentials



CYBER SECURITY INCIDENT

Blackbaud still reeling from 2020 cyber breach

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**1 Million Files
Containing Personal
Information**



**Blackbaud
Misrepresented
the Breach**



**\$55 Million
in Expenses
Including Litigation**



Ongoing Investigations

- U.S. (FTC, SEC, HHS)
- Australian (AIC)
- Canada (OPC)



SELL

Valuation Method	Discounted Cash Flow	Relative Valuation
Weight	50%	50%
Value Per Share	\$62.38	\$66.17

Feb 2, 2024 Price	Target Price	Downside
\$80.34	\$64.27	-19.26%

Source: Team consensus

RELATIVE VALUATION

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Blackbaud share priced at \$66.17 on 29.6x EV/EBITDA

BLACKBAUD'S COMPETITORS



ORACLE®



ATLASSIAN



zoominfo

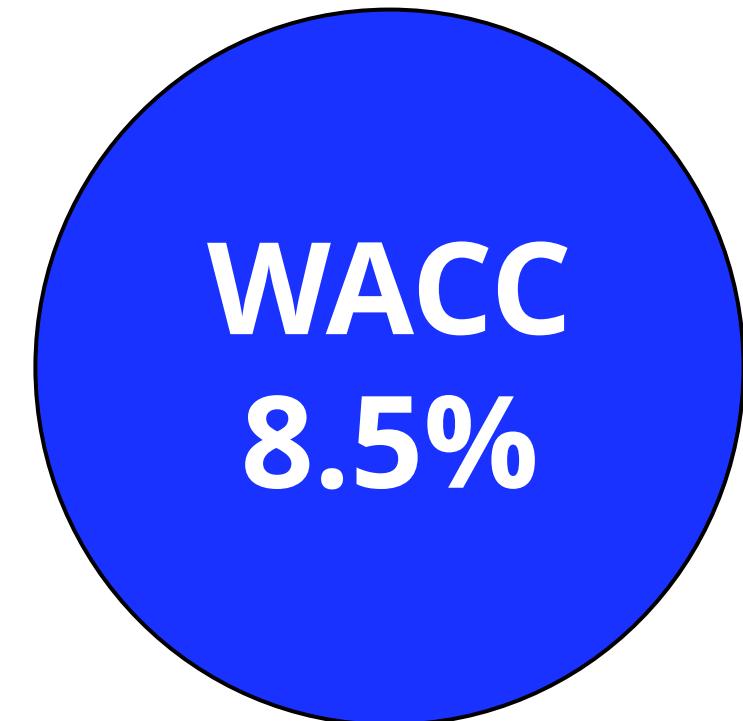


Source: Team consensus

Combined cost of debt and equity financing at 8.5%

Metrics	Value
Cost of Debt	4.29%
Risk-Free Rate	2.32%
Beta	1.09
Tax Rate	20%
Cost of Equity	9.46%

Capital Structure	Weight
Equity (Market Cap)	83.96%
Debt	16.04%
Total	100%

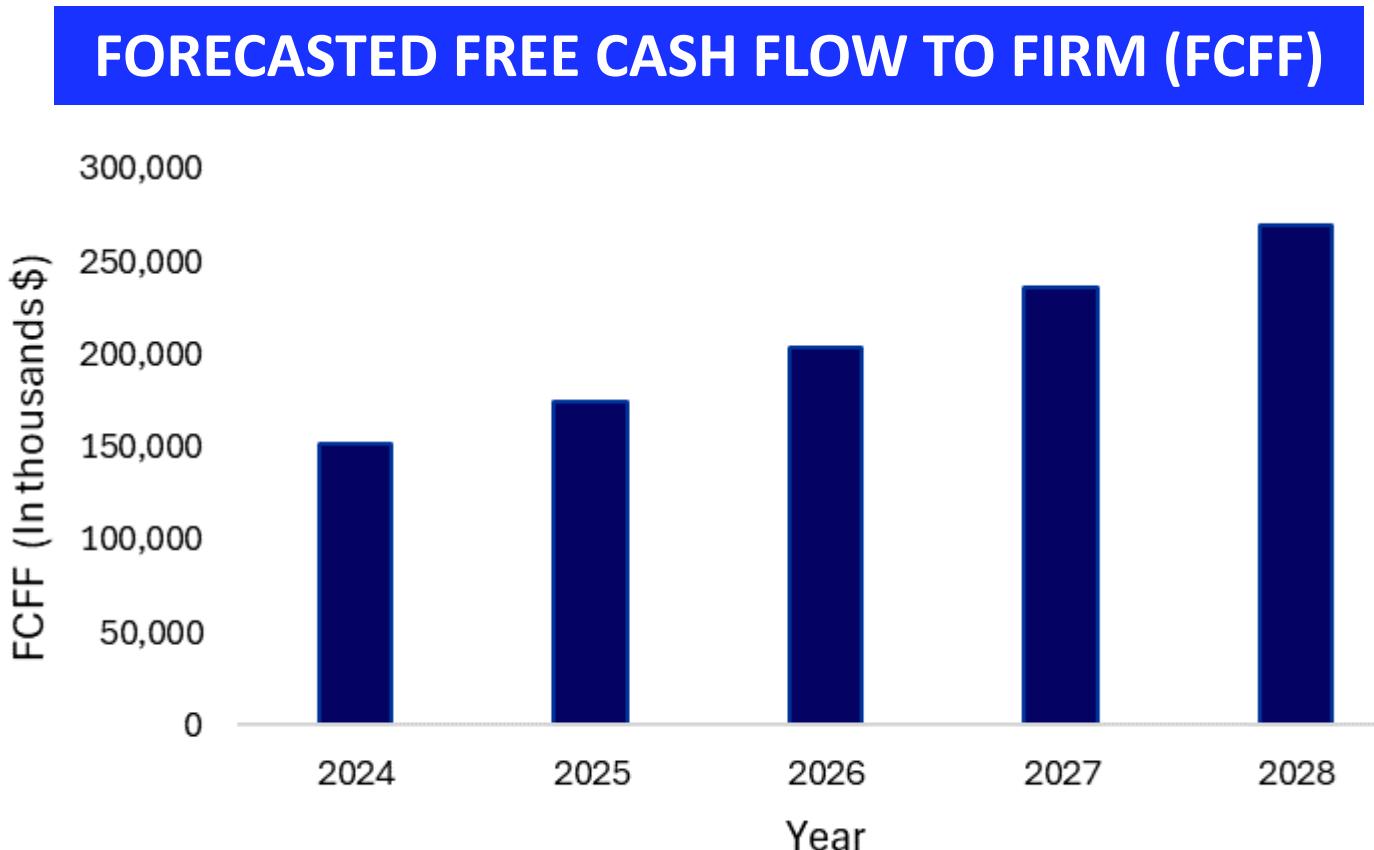


Source: Team consensus

DCF yields a \$62.38 value per share



Terminal Growth Rate
3%



Source: Team consensus

WACC/Growth Rate Sensitivity Analysis

blackbaud

Limited scenarios favor a buy for Blackbaud

	EARNINGS BEFORE INTEREST AND TAXES GROWTH RATE							
	18%	19%	20%	20.81%	21%	22%	23%	
WACC	7.0%	\$ 61.77	\$ 63.79	\$ 65.89	\$ 67.64	\$ 68.05	\$ 70.28	\$ 72.59
	7.5%	\$ 60.13	\$ 62.12	\$ 64.16	\$ 65.87	\$ 66.27	\$ 68.46	\$ 70.71
	8.0%	\$ 58.54	\$ 60.48	\$ 62.47	\$ 64.15	\$ 64.54	\$ 66.68	\$ 68.88
	8.5%	\$ 56.99	\$ 58.88	\$ 60.84	\$ 62.38	\$ 62.86	\$ 64.94	\$ 67.09
	9%	\$ 55.48	\$ 57.33	\$ 59.24	\$ 60.84	\$ 61.22	\$ 63.26	\$ 65.36
	9.5%	\$ 54.01	\$ 55.82	\$ 57.69	\$ 59.25	\$ 59.62	\$ 61.62	\$ 63.68
	10.0%	\$ 52.58	\$ 54.35	\$ 56.17	\$ 57.10	\$ 58.07	\$ 60.02	\$ 62.03
	10.5%	\$ 51.18	\$ 52.92	\$ 54.7	\$ 56.20	\$ 56.55	\$ 58.46	\$ 60.43

Source: Team consensus

The Feb 1, 2024 Order May Trigger More Lawsuits

Risks:



Mandated Security Assessments for 20 years



Report Future Incidents within 10 days



Significant Costs Associated with Compliance

Mitigant:



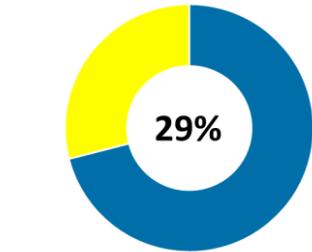
Adherence Will Reduce Severity of Future Attacks

NON-SECUTIRY INCIDENT RISKS

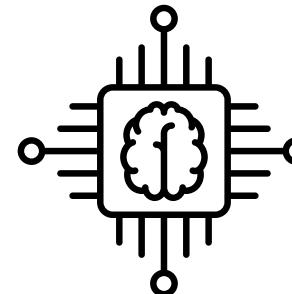
blackbaud

Additional uncertainty for Blackbaud's customers and investors

Risks:



Large Proportion of
Transactional
Revenue



Integration of
AI into Products



Highly Competitive
Market

Mitigants:



Recurring Revenue
Model Expands
Contractual Revenue



Beta-Testing Fosters
Reliability and Customer
Centric Ideals



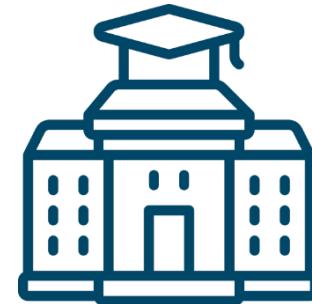
Provide Tailored
Solutions in Social
Impact Spaces



K-12



Higher Education



Hospitals

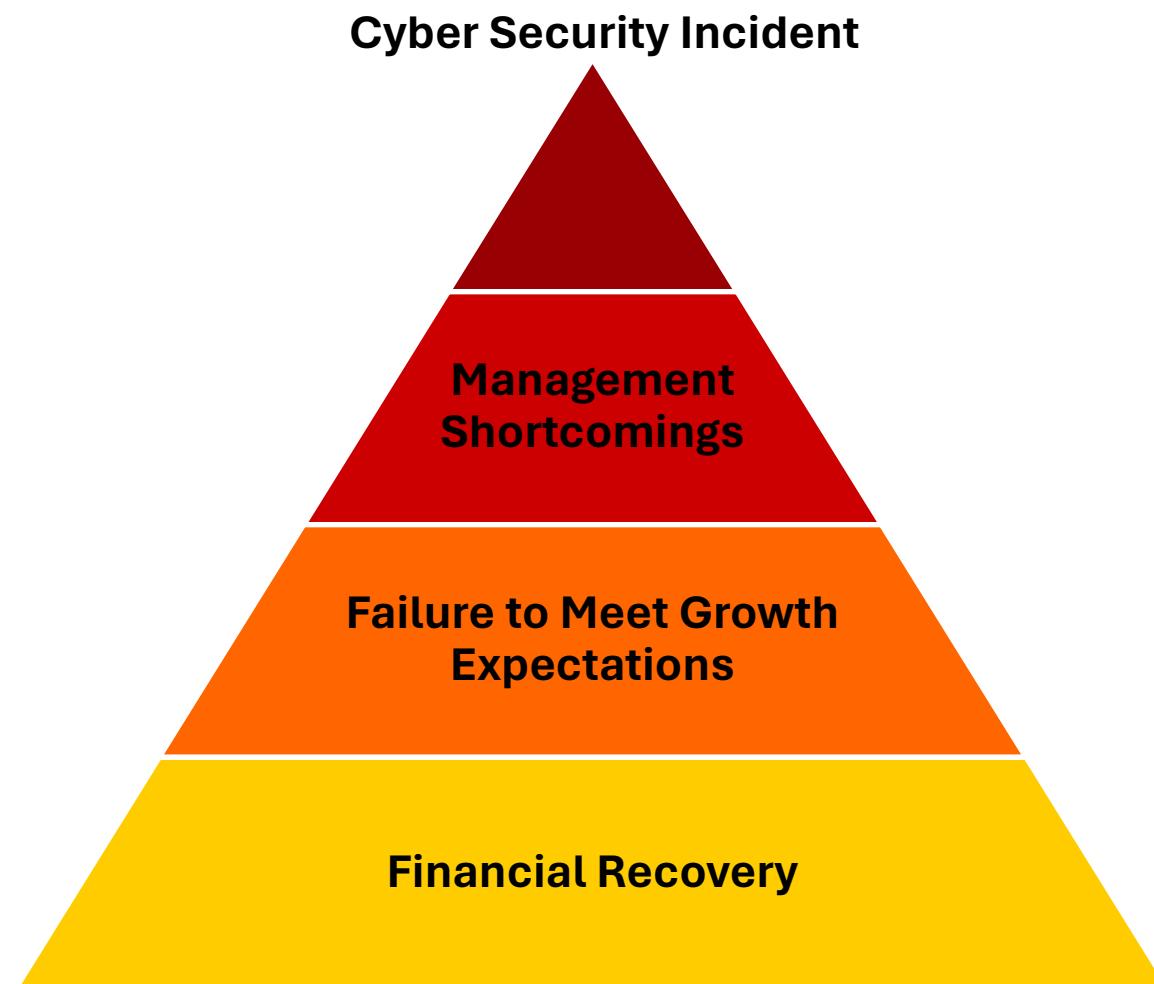


Philanthropy



Arts





SELL

Feb 2, 2024	\$80.34
Target Price	\$64.27
Downside	-19.26%

Financials

Income Statement

Balance Sheet

Statement of Cash Flows

Revenue

Mergers & Acquisitions

Liquidity Ratios

Leverage Ratios

Cash & Cash Equivalents

Forecasted EBITDA Margins

Historical & Forecasted Gross Margins

Assumptions

WACC Assumptions

Forecasted Assumptions

Valuation

Discounted Cash Flow

Relative Valuation

Annotated Share Price History

EBIT/WACC Sensitivity Analysis

Terminal Growth/WACC Sensitivity Analysis

Industry & Competitive Positioning

SWOT Analysis

Charter Schools - Maps

Charter Schools – Graphs

Porter's 5 Forces

Risk

Security Risks

Non-Security Risks

Environment, Social, & Governance

Blackbaud Products

Returns from CSR

Leadership in

Corporate Responsibility Management

Executive Committee

Board of Directors

Board of Directors Expertise

Macroeconomic Indicators

10-Year Treasury Constant Maturity

Minus 3-Month

Consumer Price Index

Unemployment Rate

Real Gross Domestic Product

Exchange Rates

FINANCIALS: INCOME STATEMENT

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In thousands \$

Income Statement	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue:											
Recurring	762,181	831,609	850,745	880,850	1,011,733	1,071,425	1,158,211	1,252,026	1,353,440	1,463,068	1,581,577
One-time services and other	86,425	68,814	62,474	46,890	46,372	37,098	35,243	29,956	25,463	21,643	18,397
Total Revenue	848,606	900,423	913,219	927,740	1,058,105	1,108,523	1,193,453	1,281,982	1,378,903	1,484,712	1,599,974
Expenditures											
Cost of recurring	305,481	357,988	369,681	390,803	463,449	514,428	550,438	577,960	606,858	637,201	669,061
Cost of one-time services and other	76,261	60,436	58,384	52,392	41,940	33,552	31,874	27,093	23,029	19,575	16,639
Total Expenditures	381,742	418,424	428,065	443,195	505,389	547,980	582,313	605,054	629,888	656,776	685,700
Gross Profit	466,864	481,999	485,154	484,545	552,716	560,542	611,141	676,929	749,015	827,936	914,274
Sales, marketing and customer success	192,848	224,152	209,762	186,314	221,455	232,790	250,625	269,216	289,570	311,790	335,995
Research and development	98,811	106,164	100,146	124,573	156,913	155,193	167,083	179,477	193,046	207,860	223,996
General and administrative	106,354	113,414	134,852	146,262	199,908	188,449	202,887	217,937	234,413	252,401	271,996
Amortization	4,844	5,316	2,915	2,227	2,925	2,723	2,534	2,359	2,196	2,044	2,000
Restructuring	4,590	5,808	236	263	-	-	-	-	-	-	-
EBITDA	59,417	27,145	37,243	24,906	(28,485)	93,561	107,566	135,414	165,757	198,911	235,206
EBIT	54,573	21,829	34,328	22,679	(31,410)	90,838	105,032	133,056	163,562	196,867	233,206
Interest expense, net	(15,898)	(20,618)	(17,287)	(18,003)	(35,803)	(25,062)	(25,062)	(25,062)	(25,062)	(25,062)	(25,062)
other income expense, net	1,103	4,058	1,658	180	8,713	6,099	6,099	6,099	6,099	6,099	6,099
EBT	39,778	5,269	18,699	4,856	(58,500)	71,875	86,069	114,093	144,599	177,904	214,243
tax expense	(219)	(1,323)	13,897	1,385	(10,168)	12,000	12,000	12,000	12,000	12,000	12,000
effective tax rate	0.6%	25.1%	74.3%	28.5%	17.4%	16.7%	13.9%	10.5%	8.3%	6.7%	5.6%
Net Income	39,997	6,592	4,802	3,471	(48,332)	83,875	98,069	126,093	156,599	189,904	226,243
Other comprehensive income	(4,635)	(180)	2,793	9,019	2,416	5,000	5,000	5,000	5,000	5,000	5,000
Comprehensive Income	35,362	6,412	7,595	12,490	(45,916)	88,875	103,069	131,093	161,599	194,904	231,243

Sources: Blackbaud 10K and Team Consensus

FINANCIALS: COMMON-SIZE INCOME STATEMENT

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	2018	2019	2020	2021	2022		2023	2024	2025	2026	2027	2028
Revenue:												
Recurring	90%	92%	93%	95%	96%		97%	97%	98%	98%	99%	99%
One-time services and other	10%	8%	7%	5%	4%		3%	3%	2%	2%	1%	1%
Total Revenue	100%	100%	100%	100%	100%		100%	100%	100%	100%	100%	100%
	0%	0%	0%	0%	0%		0%	0%	0%	0%	0%	0%
Expenditures	0%	0%	0%	0%	0%		0%	0%	0%	0%	0%	0%
Cost of recurring	36%	40%	40%	42%	44%		46%	46%	45%	44%	43%	42%
Cost of one-time services and other	9%	7%	6%	6%	4%		3%	3%	2%	2%	1%	1%
Total Expenditures	45%	46%	47%	48%	48%		49%	49%	47%	46%	44%	43%
	0%	0%	0%	0%	0%		0%	0%	0%	0%	0%	0%
Gross Profit	55%	54%	53%	52%	52%		51%	51%	53%	54%	56%	57%
Sales, marketing and customer success	23%	25%	23%	20%	21%		21%	21%	21%	21%	21%	21%
Research and development	12%	12%	11%	13%	15%		14%	14%	14%	14%	14%	14%
General and administrative	13%	13%	15%	16%	19%		17%	17%	17%	17%	17%	17%
Amortization	1%	1%	0%	0%	0%		0%	0%	0%	0%	0%	0%
Restructuring	1%	1%	0%	0%								
EBITDA	7%	3%	4%	3%	-3%		8%	9%	11%	12%	13%	15%
EBIT	6%	2%	4%	2%	-3%		8%	9%	10%	12%	13%	15%
Interest expense, net	-2%	-2%	-2%	-2%	-3%		-2%	-2%	-2%	-2%	-2%	-2%
Other income expense, net	0%	0%	0%	0%	1%		1%	1%	0%	0%	0%	0%
EBT	5%	1%	2%	1%	-6%		6%	7%	9%	10%	12%	13%
tax expense	0%	0%	2%	0%	-1%		1%	1%	1%	1%	1%	1%
effective tax rate	0%	0%	0%	0%	0%		0%	0%	0%	0%	0%	0%
Net Income	5%	1%	1%	0%	-5%		8%	8%	10%	11%	13%	14%
Other comprehensive income	-1%	0%	0%	1%	0%		0%	0%	0%	0%	0%	0%
Comprehensive Income	4%	1%	1%	1%	-4%		8%	9%	10%	12%	13%	14%

Sources: Blackbaud 10K and Team Consensus

FINANCIALS: BALANCE SHEET

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Year	2018	2019	2020	2021	2022	FY23E	FY24F	FY25F	FY26F	FY27F	FY28F
Assets											
Current assets:											
Cash and cash equivalents	\$ 30,866	\$ 31,810	\$ 35,750	\$ 55,146	\$ 31,691	30,784	47,795	51,341	55,222	59,460	64,076
Restricted cash	418,980	545,485	609,219	596,616	702,240	507,326	733,595	788,012	847,587	912,626	983,476
Accounts receivable	86,595	88,868	95,404	102,726	102,809	116,677	122,472	131,557	141,503	152,361	164,189
Customer funds receivable	1,753	524	321	977	249	460	1,023	1,099	1,182	1,273	1,372
Prepaid expenses and other current assets	59,788	67,852	78,366	95,506	81,654	88,004	98,278	105,568	113,549	122,262	131,754
Total current assets	597,982	734,539	819,060	850,971	918,643	743,251	1,003,164	1,077,577	1,159,044	1,247,982	1,344,866
Property and equipment, net	40,031	35,546	105,177	111,428	107,426	105,420	101,075	108,572	116,781	125,742	135,503
Operating lease right-of-use assets	—	104,400	22,671	53,883	45,899	44,406	72,272	77,633	83,503	89,910	96,890
Software and content development costs, net	75,099	101,302	111,827	121,377	141,023	145,881	140,246	150,650	162,039	174,473	188,018
Goodwill	545,213	634,088	635,854	1,058,640	1,050,272	1,051,662	1,018,834	1,173,854	1,352,460	1,558,242	1,795,335
Intangible assets, net	291,617	317,895	277,506	698,052	635,136	635,552	561,699	603,365	648,981	698,780	753,028
Other assets	65,363	65,193	72,639	77,266	94,304	89,486	90,959	92,457	93,980	95,528	97,101
Total assets	\$ 1,615,305	\$ 1,992,963	\$ 2,044,734	\$ 2,971,617	\$ 2,992,703	2,815,657	2,988,250	3,284,108	3,616,787	3,990,657	4,410,741
Liabilities and stockholders' equity											
Current liabilities:											
Trade accounts payable	\$ 34,538	\$ 47,676	\$ 27,836	\$ 22,067	\$ 42,559	40,240	44,907	48,238	51,885	55,866	60,203
Accrued expenses and other current liabilities	46,893	73,317	52,228	100,096	86,002	90,430	91,430	98,212	105,637	113,743	122,573
Due to customers	420,733	546,009	608,264	594,273	700,860	482,137	733,063	787,440	846,973	911,964	982,763
Debt, current portion	7,500	7,500	12,840	18,697	18,802	18,685	16,506	17,730	19,070	20,534	22,128
Deferred revenue, current portion	295,991	314,335	312,236	374,499	382,419	400,042	430,810	462,767	497,753	535,948	577,555
Total current liabilities	805,655	988,837	1,013,404	1,109,632	1,230,642	1,031,534	1,316,714	1,444,386	1,521,317	1,638,054	1,765,221
Debt, net of current portion	379,624	459,600	518,193	937,483	840,241	807,768	841,788	853,752	920,964	951,827	978,381
Deferred tax liability	44,291	44,594	54,086	148,465	125,759	122,086	104,982	143,601	121,295	130,603	140,742
Deferred revenue, net of current portion	2,564	1,802	4,678	4,247	2,817	4,418	4,150	4,458	4,795	5,162	5,563
Operating lease liabilities, net of current portion	—	95,624	17,357	53,386	44,918	44,540	53,753	57,741	62,106	66,872	72,063
Other liabilities	9,388	5,742	10,866	1,344	4,294	4,881	8,317	8,934	9,610	10,347	11,150
Total liabilities	1,241,522	1,596,199	1,618,584	2,254,557	2,248,671	2,015,228	2,329,705	2,482,872	2,640,087	2,802,865	2,973,121
Stockholders' equity:											
Additional paid-in capital	399,241	457,804	544,963	968,927	1,075,264	1,065,200	867,941	932,324	1,002,810	1,079,760	1,163,584
Treasury stock	(266,884)	(290,665)	(353,091)	(500,911)	(537,287)	(551,086)	(595,320)	(643,104)	(694,724)	(750,487)	(810,726)
Accumulated other comprehensive income	(5,110)	(5,290)	(2,497)	6,522	8,938	7,399	8,938	8,938	8,938	8,938	8,938
Retained earnings	246,477	234,855	236,714	242,456	197,049	278,916	376,986	503,078	659,677	849,581	1,075,824
Total stockholders' equity	373,783	396,764	426,150	717,060	744,032	800,429	658,545	801,236	976,701	1,187,792	1,437,621
Total liabilities and stockholders' equity	\$ 1,615,305	\$ 1,992,963	\$ 2,044,734	\$ 2,971,617	\$ 2,992,703	2,815,657	2,988,250	3,284,108	3,616,787	3,990,657	4,410,741

Sources: Blackbaud 10K & Team Consensus

FINANCIALS: COMMON-SIZE BALANCE SHEET

blackbaud

Year	2018	2019	2020	2021	2022	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E
Revenue (from income statement)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Assets	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Current assets:	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Cash and cash equivalents	4%	4%	4%	6%	3%	3%	4%	4%	4%	4%	4%
Restricted cash	49%	61%	67%	64%	66%	46%	61%	61%	61%	61%	61%
Accounts receivable	10%	10%	10%	11%	10%	11%	10%	10%	10%	10%	10%
Customer funds receivable	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Prepaid expenses and other current assets	7%	8%	9%	10%	8%	8%	8%	8%	8%	8%	8%
Deferred tax asset, current portion						0%	0%	0%	0%	0%	0%
Total current assets	70%	82%	90%	92%	87%	67%	84%	84%	84%	84%	84%
Property and equipment, net	5%	4%	12%	12%	10%	10%	8%	8%	8%	8%	8%
Operating lease right-of-use assets			12%	2%	6%	4%	6%	6%	6%	6%	6%
Software and content development costs	9%	11%	12%	13%	13%	13%	12%	12%	12%	12%	12%
Goodwill	64%	70%	70%	114%	99%	95%	85%	92%	98%	105%	112%
Intangible assets, net	34%	35%	30%	75%	60%	57%	47%	47%	47%	47%	47%
Other assets	8%	7%	8%	8%	9%	8%	8%	7%	7%	6%	6%
Total assets	190%	221%	224%	320%	283%	254%	250%	256%	262%	269%	276%
Liabilities and stockholders' equity	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Current liabilities:	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Trade accounts payable	4%	5%	3%	2%	4%	4%	4%	4%	4%	4%	4%
Accrued expenses and other current liabs	6%	8%	6%	11%	8%	8%	8%	8%	8%	8%	8%
Due to customers	50%	61%	67%	64%	66%	43%	61%	61%	61%	61%	61%
Debt, current portion	1%	1%	1%	2%	2%	2%	1%	1%	1%	1%	1%
Deferred revenue, current portion	35%	35%	34%	40%	36%	36%	36%	36%	36%	36%	36%
Total current liabilities	95%	110%	111%	120%	116%	93%	110%	110%	110%	110%	110%
Debt, net of current portion	45%	51%	57%	101%	79%	73%	71%	67%	67%	64%	61%
Deferred tax liability	5%	5%	6%	16%	12%	11%	9%	11%	9%	9%	9%
Deferred revenue, net of current portion	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Operating lease liabilities, net of current portion	11%	2%	6%	4%	4%	4%	5%	5%	5%	5%	5%
Other liabilities	1%	1%	1%	0%	0%	0%	1%	1%	1%	1%	1%
Total liabilities	146%	177%	177%	243%	213%	182%	195%	194%	191%	189%	186%
Stockholders' equity:	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Preferred stock; 20,000,000 shares auth.	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Common stock, \$0.001 par value; 180,000	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Additional paid-in capital	47%	51%	60%	104%	102%	96%	73%	73%	73%	73%	73%
Treasury stock	-31%	-32%	-39%	-54%	-51%	-50%	-50%	-50%	-50%	-51%	-51%
Accumulated other comprehensive income	-1%	-1%	0%	1%	1%	1%	1%	1%	1%	1%	1%
Retained earnings	29%	26%	26%	26%	19%	25%	32%	39%	48%	57%	67%
Total stockholders' equity	44%	44%	47%	77%	70%	72%	55%	62%	71%	80%	90%
Total liabilities and stockholders' equity	190%	221%	224%	320%	283%	254%	250%	256%	262%	269%	276%

Sources:
Blackbaud 10K &
Team Consensus

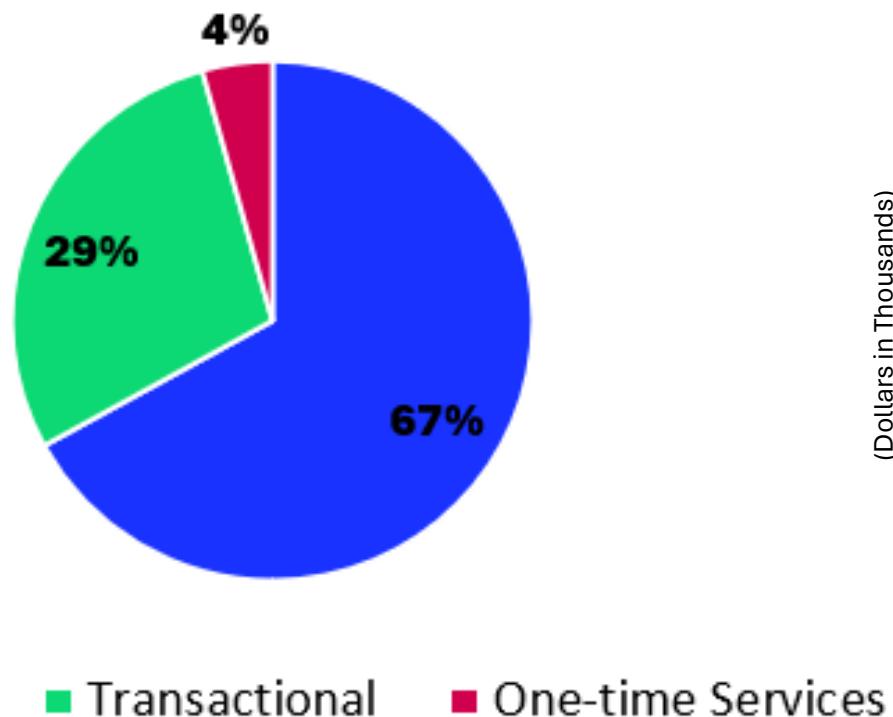
FINANCIALS: STATEMENT OF CASH FLOWS

blackbaud

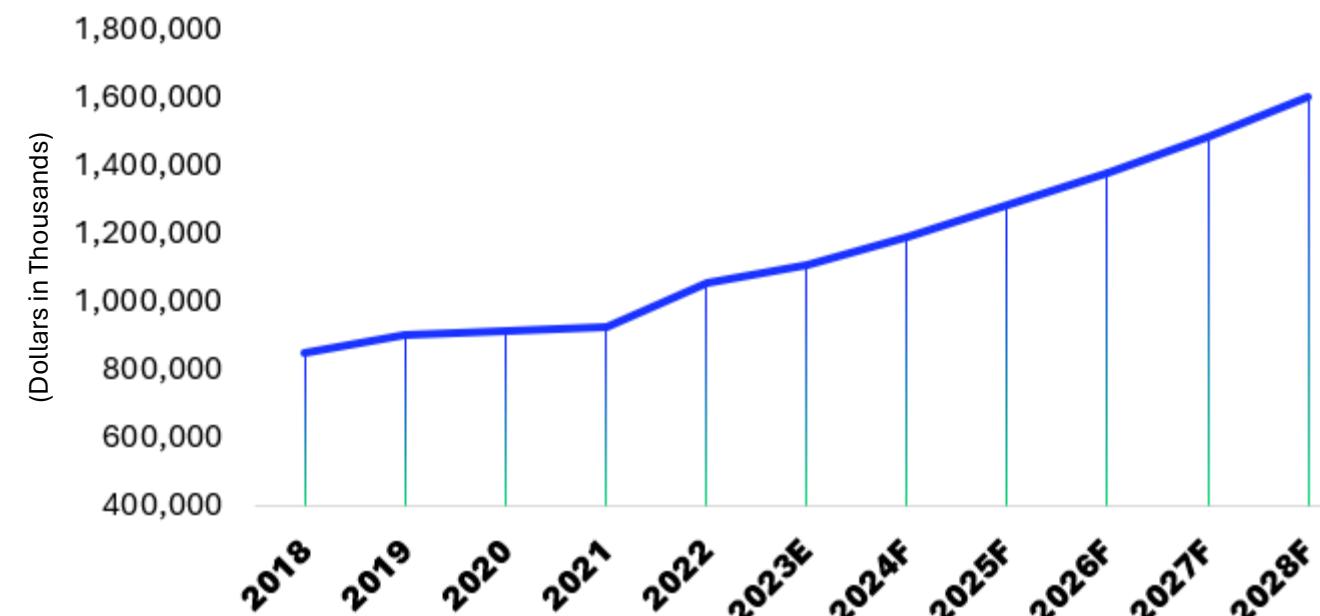
	2021	2022	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E
Cash flows from operating activities								
Net (loss) income	\$ 5,698	(\$45,407)	(\$83,875)	(\$98,069)	\$ 126,093	\$ 156,599	\$ 189,904	\$ 226,243
Adjustments to reconcile net (loss) income to net cash provided by operating activities:								
Depreciation and amortization	82,410	102,369	109,450	117,022	125,117	133,771	143,025	152,919
Provision for credit losses and sales returns	11,450	6,066	10,312	10,824	11,627	12,506	13,466	14,511
Stock-based compensation expense	120,379	110,294	105,243	111,836	116,204	120,973	126,138	131,693
Deferred taxes	(2,429)	(26,644)	(3,673)	(17,104)	38,618	(22,305)	9,308	10,139
Amortization of deferred financing costs and discount	1,570	2,364	1,845	1,630	1,751	1,884	2,028	2,186
Other non-cash adjustments	10,490	5,676	2,400	2,400	2,400	2,400	2,400	2,400
Changes in operating assets and liabilities, net of acquisition and disposal of businesses:								
Accounts receivable	(6,525)	(7,340)	(13,868)	(5,795)	(9,085)	(9,946)	(10,858)	(11,828)
Prepaid expenses and other assets	(2,048)	26,235	(6,350)	(10,274)	(7,290)	(7,981)	(8,713)	(9,492)
Trade accounts payable	(9,670)	21,607	(2,319)	4,667	3,331	3,647	3,981	4,337
Accrued expenses and other liabilities	(8,190)	(2,386)	(9,048)	(9,048)	(9,048)	(9,048)	(9,048)	(9,048)
Deferred revenue	10,526	11,059	19,225	30,499	32,265	35,323	38,563	42,008
Net cash provided by operating activities	213,661	203,893	297,091	334,727	431,983	417,823	500,193	556,067
Cash flows from investing activities								
CAPITAL EXPENDITURES	(52,153)	(71,063)	(69,309)	(74,619)	(80,154)	(86,214)	(92,829)	(100,036)
Purchase of net assets of acquired companies, net of cash and restricted cash acquired	(419,120)	(20,912)	(113,000)	(113,000)	(113,000)	(113,000)	(113,000)	(113,000)
Cash received in sale of business		6,426	-	-	-	-	-	-
Other investing activities								
Net cash used in investing activities	(471,273)	(85,549)	(182,309)	(187,619)	(193,154)	(199,214)	(205,829)	(213,036)
Cash flows from financing activities								
Proceeds from issuance of debt	582,200	211,000	401,871	401,871	401,871	401,871	401,871	401,871
Payments on debt	(152,971)	(310,740)	(343,661)	(343,661)	(343,661)	(343,661)	(343,661)	(343,661)
Debt issuance costs	(3,106)	-	-	-	-	-	-	-
Stock issuance costs		(1,339)	-	-	-	-	-	-
Employee taxes paid for withheld shares upon equity award settlement	(39,404)	(36,376)	(26,858)	(26,858)	(26,858)	(26,858)	(26,858)	(26,858)
Proceeds from exercise of stock options	-	-	-	-	-	-	-	-
Change in due to customers	(13,464)	111,386	(218,723)	250,926	54,378	59,532	64,992	70,798
Change in customer funds receivable	(731)	380	(211)	(563)	(76)	(83)	(91)	(99)
Purchase of treasury stock	(108,416)	-	-	-	-	-	-	-
Dividend payments to stockholders	-	-	-	-	-	-	-	-
Net cash (used in) provided by financing activities	264,108	(25,689)	(187,583)	281,714	85,653	90,801	96,253	102,051
Effect of exchange rate on cash, cash equivalents and restricted cash	297	(10,486)	(1,154)	(1,154)	(1,154)	(1,154)	(1,154)	(1,154)
Net increase in cash, cash equivalents and restricted cash	6,793	82,169	(195,821)	243,280	57,962	63,457	69,276	75,466
Cash, cash equivalents and restricted cash, beginning of year	644,969	651,762	733,931	538,110	781,390	839,352	902,809	972,086
Cash, cash equivalents and restricted cash, end of year	\$651,762	\$733,931	\$538,110	\$781,390	\$839,352	\$902,809	\$972,086	\$1,047,551

Sources: Blackbaud 10K & Team Consensus

Revenue Distribution (2023)



Total Revenue Growth



Source: Q3 2023 Investor Presentation

Revenue Segments 2022 vs. 2023

	(dollars in thousands)	
	2022	2023
Recurring	1,011,733	1,071,425
One-time services and	46,372	37,098
Total Revenue	1,058,105	1,108,523

Recurring
Revenue grew
by 5.9%

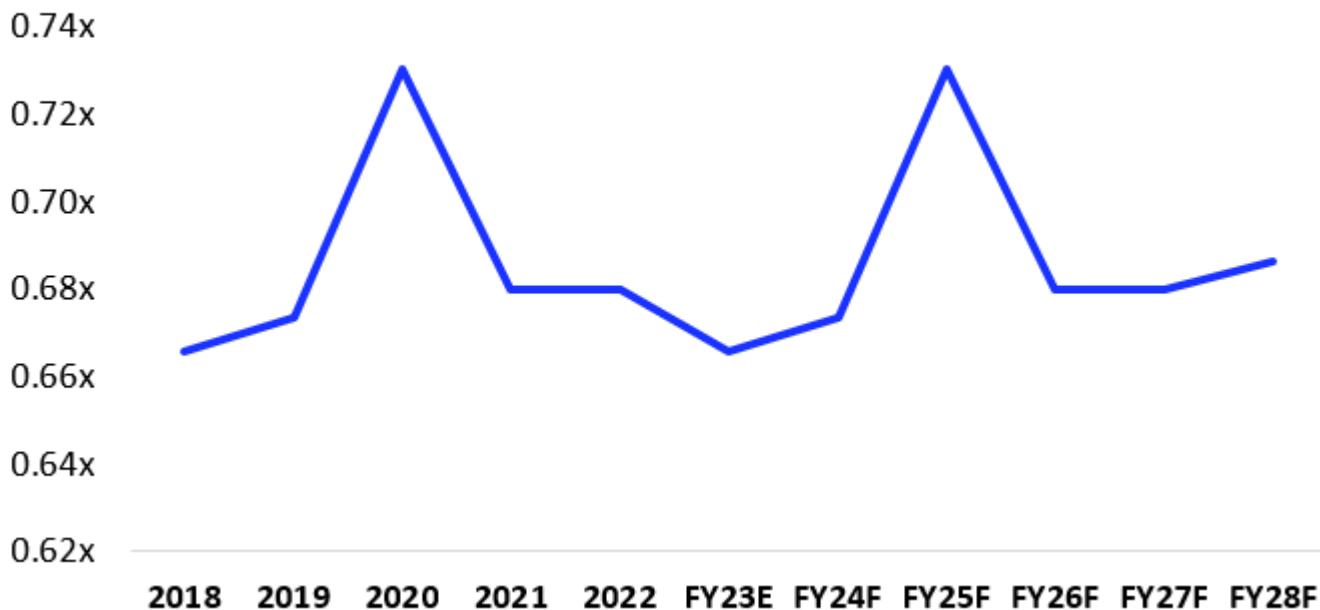
Total Revenue
grew by 4.8%



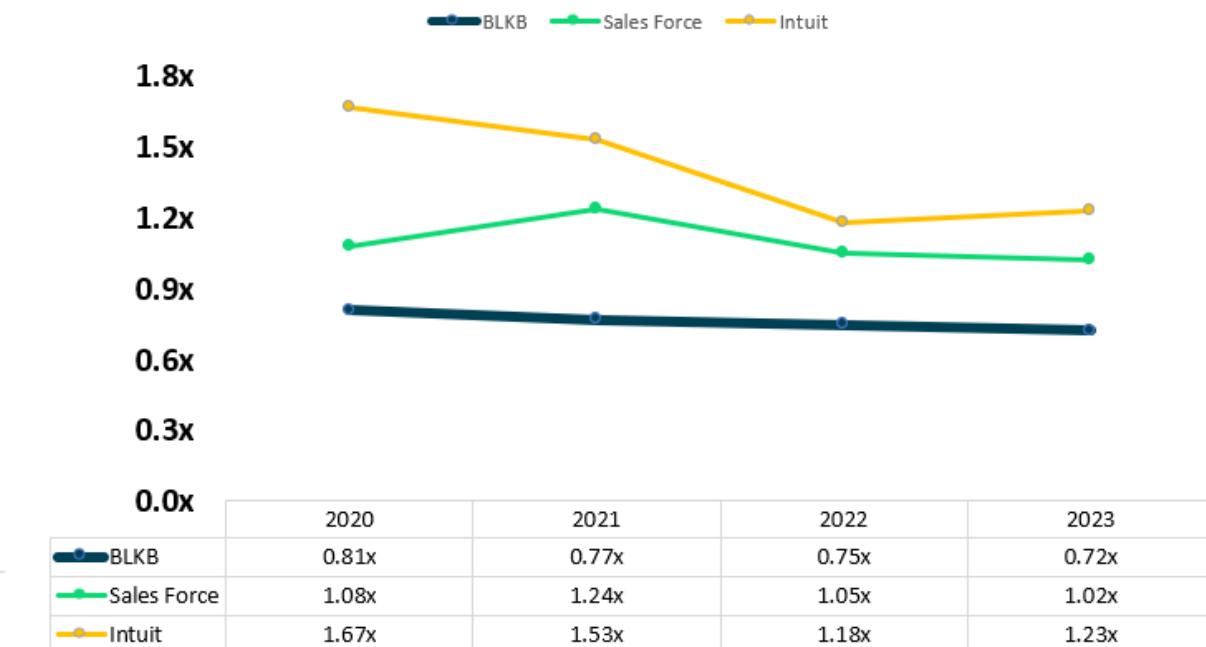
Source: 2022 Q1 Earnings Presentation

Sources: Team Consensus & Company Data

Quick Ratio: Historical & Projected



Peer Comparison of Current Ratio

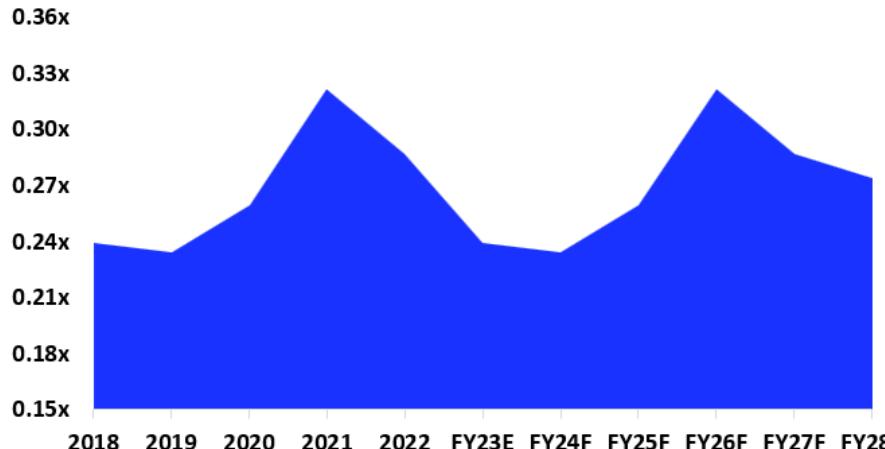


Sources: Team Consensus & Company Data

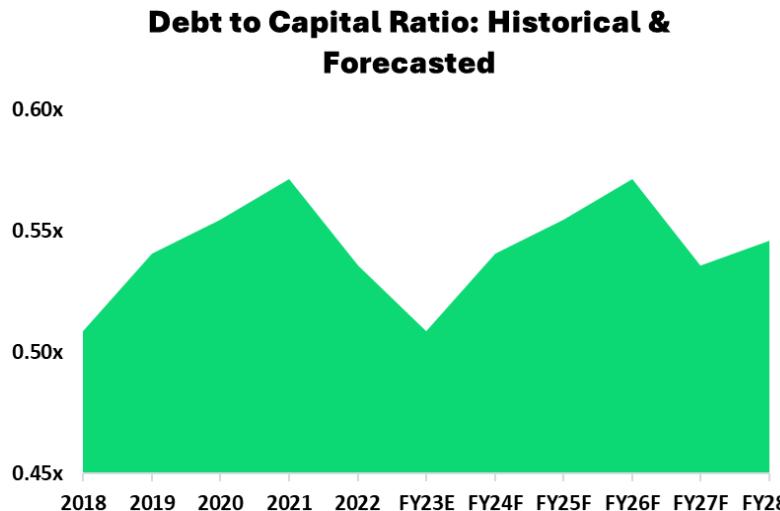
FINANCIALS: LEVERAGE RATIOS

blackbaud

Debt to Assets Ratio: Historical & Forecasted



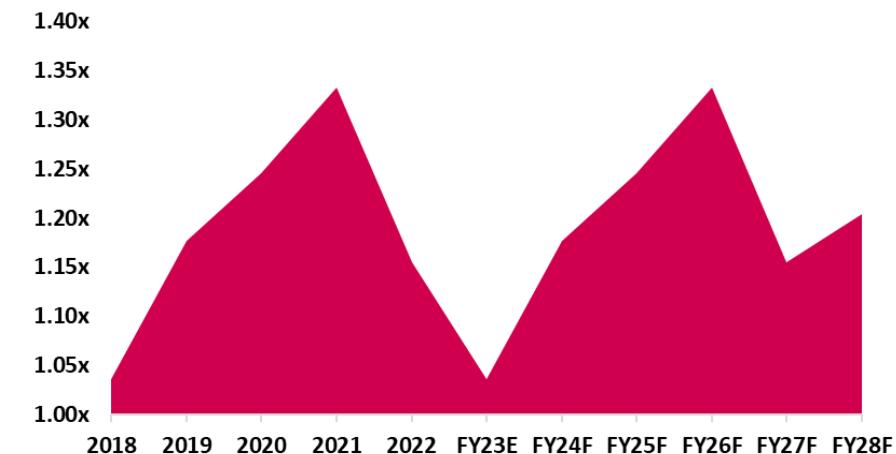
Debt to Capital Ratio: Historical & Forecasted



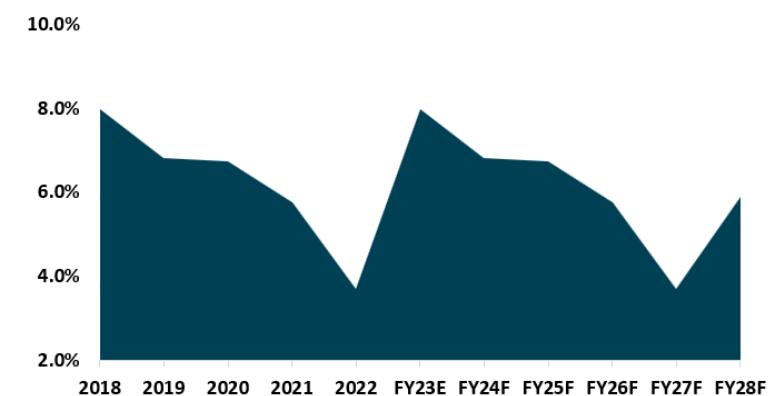
Year-end 2021 & beginning of 2022 marks the EVERFI acquisition.

2026 is the next forecasted acquisition

Debt to Equity Ratio: Historical & Forecasted

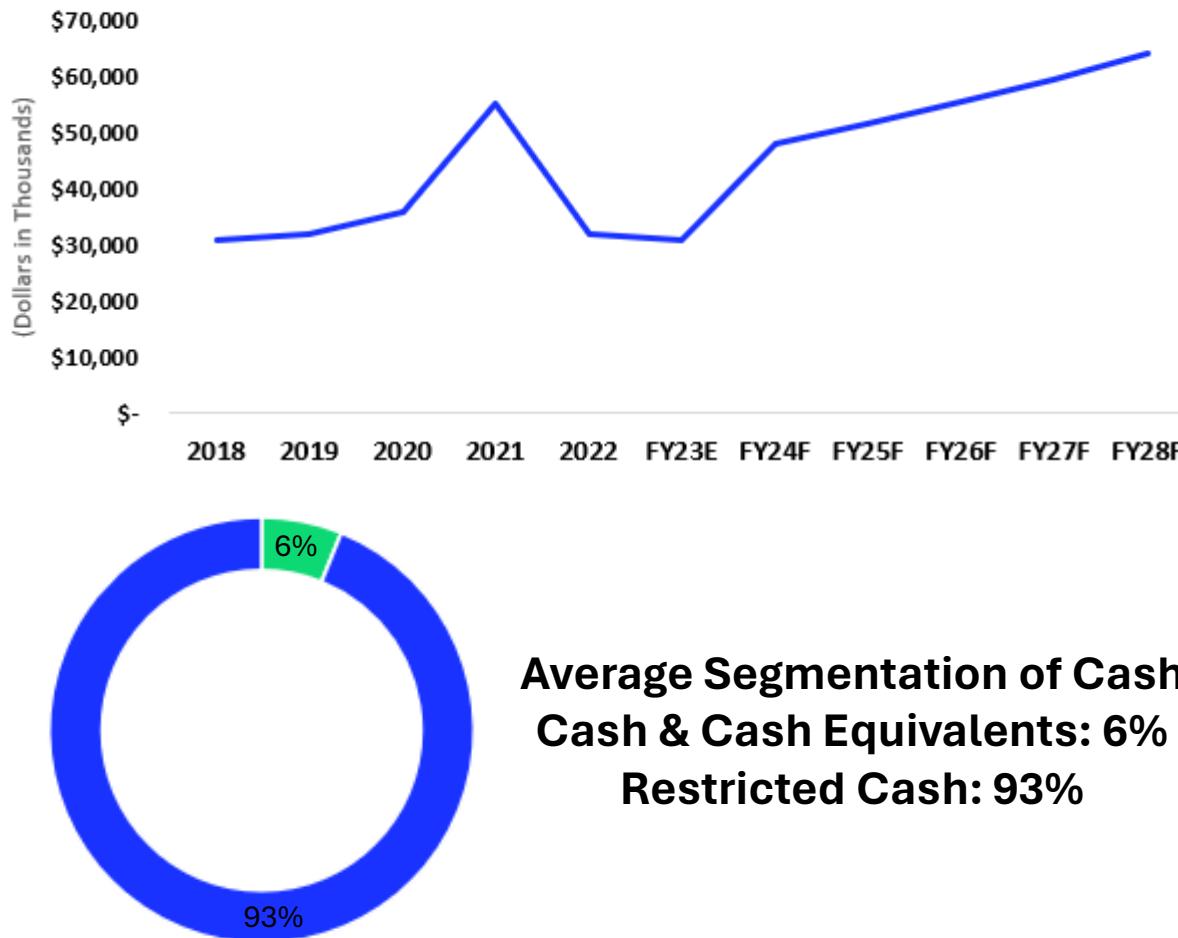


Cash Flow to Total Debt: Historical & Forecasted



Sources: Team Consensus & Company Data

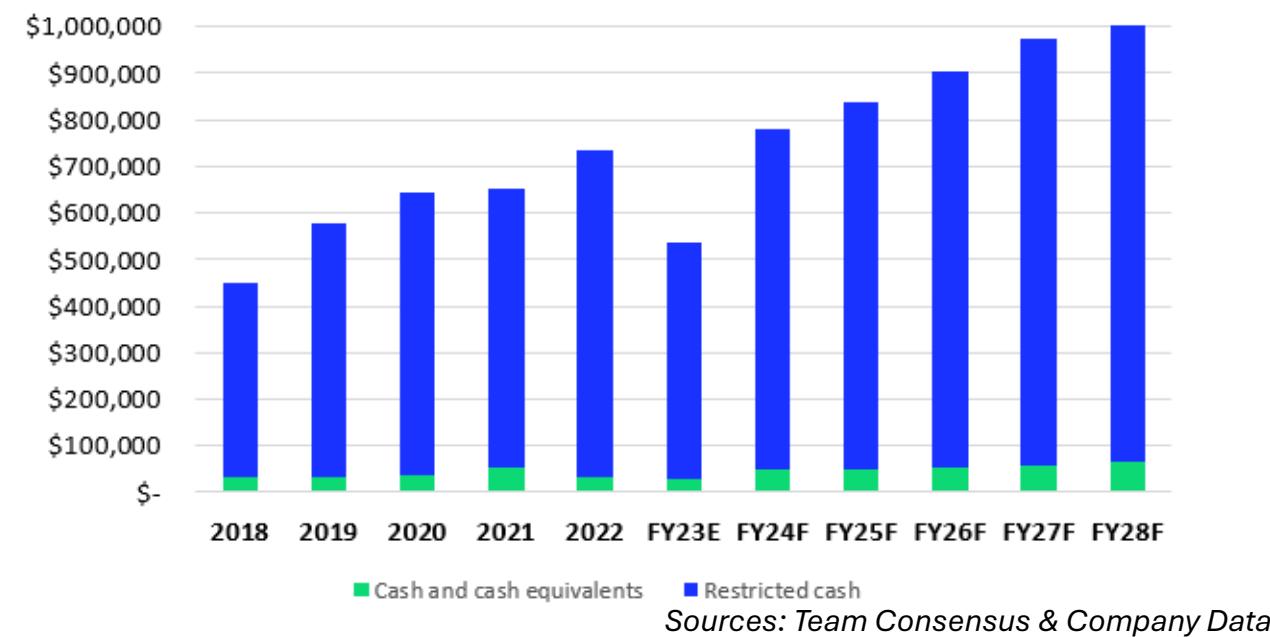
Cash & Cash Equivalent Growth



Average Segmentation of Cash & Cash Equivalents: 6%
Restricted Cash: 93%

7.6% growth rate forecasted from 2024 to 2028

Cash & Cash Equivalents Compared to Restricted Cash

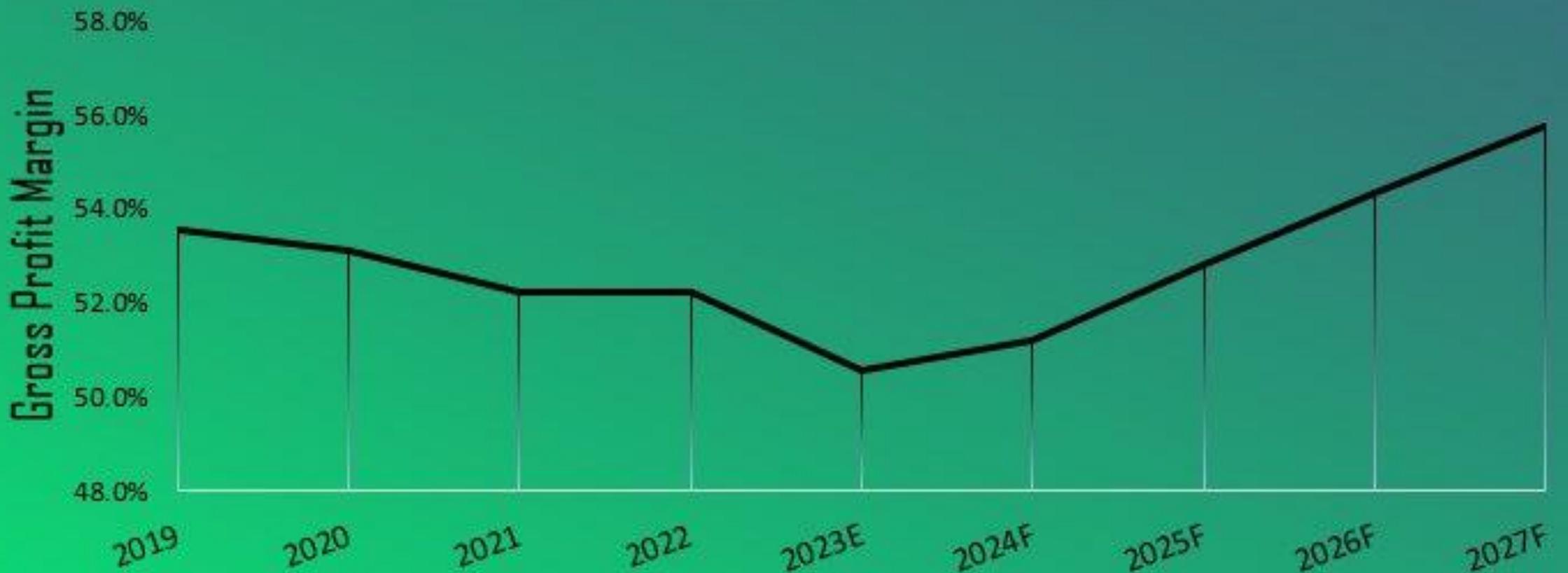


Sources: Team Consensus & Company Data



Sources: Team Consensus & Company Data

Gross Margin: Historical & Forecast



Sources: Team Consensus & Company Data

ASSUMPTIONS: WACC ASSUMPTIONS

blackbaud

Metrics	Method	Value
Cost of Debt	Weighted average of the effective interest rates for BLKB's debt	4.29%
Risk-Free Rate	10-year monthly average US Treasury bond	2.32%
Beta	BLKB's adjusted returns against the S&P 500 returns from 2019 to 2023	1.09
Tax Rate	Non-GAAP effective tax rate	20%
Cost of Equity	Capital Asset Pricing Model (CAPM)	9.46%

Source: Team Consensus

ASSUMPTIONS: FORECASTING ASSUMPTIONS

blackbaud

Contractual Recurring Growth	
For-Profit Industry	Blackbaud has recently entered into the for-profit sector with the acquisition of Everfi and as such is making significant gains. The for-profit market for the small and medium sized schools that Blackbaud is targeting are not as saturated as the for-profit space with much higher growth potentials, however they only make up 15% of Blackbaud's Total Revenue. For these reasons we have forecasted for-profit revenue growth at 14% reflecting Everfi's aggressive growth potential.
Non-Profit Industry	The non-profit sector has historically driven Blackbaud's revenue growth, representing 15% of Blackbaud's Revenue. Blackbaud continues to make strides in that space, but the growth is slower than its for-profit counterparts as it is a more mature and saturated market.
One Time Services	
Shift to Subscription Recurring Three Year Contract Structure	As the shift from one time payments to recurring subscriptions and 3 year contracts continues to roll out, one time services will make a ever decreasing part of Blackbaud's revenue. One time payments currently account for only 4% of their Total Revenue. It is expected to decline by 20% in 2023, then slow its decline to 5% in 2024, and increase to a 15% decline afterwards. Blackbaud expects the decline to slow as much of the shift has already occurred.
Cost of Recurring	
Cost of Recurring Revenue	Blackbaud has taken extensive costs cutting measures including a shift to a remote first workplace which has allowed for staff reductions while maintaining operations. For those reasons we forecast 11% growth in cost of recurring in 2023, and then a far slower increase at 7% for 2024 and 5% for 2025, as Blackbaud continues to hone its efficiencies in reducing costs.
Operating Expenses	
Sales, Marketing and Customer Success	Sales and Marketing typically makes up around 20-25% of revenue for Blackbaud and we can expect that trend to continue. We have forecasted that sales, marketing, and customer success will account for 21% of revenue between 2023-2028.
Research and Development	Research and Development has consistently accounted for 11-15% of revenue and this trend is expected to continue, however we expect it to be on the higher end of that estimate and have thus forecasted 14% for revenue for R&D expenses.
General and Administrative	General and Administrative costs have been on an upward trend, generally ranging from 13-19% of revenue, however we believe that growth was stalled and as such we have forecasted General and Administrative expenses as 17% of Revenue.

Source: Team Consensus

VALUATION: Discounted Cash Flow

blackbaud

Discounted Cash Flow		Entry	2024	2025	2026	2027	2028	Exit	Terminal Value	
Date		12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2028	Perpetuity Growth	5,051,307
Time Periods			1	2	3	4	5		TV WACC	8.50%
Year Fraction			1	1	1	1	1			
EBIT		105,032	133,056	163,562	196,867	233,206				
Less: Cash Taxes		21,006	26,611	32,712	39,373	46,641				
Plus: D&A		117,022	125,117	133,771	143,025	152,919				
Less: CapEx		74,619	80,154	86,214	92,829	100,036				
Less: Changes in NWC		-25,268	-23,259	-25,464	-27,799	-30,282				
Unlevered FCF		151,697	174,667	203,871	235,489	269,730				
(Entry)/Exit	-5,121,978							5,051,307		
Transaction CF	0	151,697	174,667	203,871	235,489	269,730	5,051,307			
Transaction CF	-5,121,978	151,697	174,667	203,871	235,489	269,730	5,051,307			
Intrinsic Value		Market Value					Rate of Return			
Enterprise Value	4,154,732	Market Cap			4,326,309		Target Price Upside		-22%	
Plus: Cash	30,784	Plus: Debt			826,453		Internal Rate of Retu		4%	
Less: Debt	826,453	Less: Cash			30,784		Market Value vs Intrinsic Value			
Equity Value	3,359,062	Enterprise Value			5,121,978		Market Value		\$	80.34
Equity Value/Share	62.37813241	Equity Value/Share			80.34		Upside		\$	(17.96)
							Intrinsic Value		\$	62.38

Source: Team Consensus

VALUATION: REALTIVE VALUATION

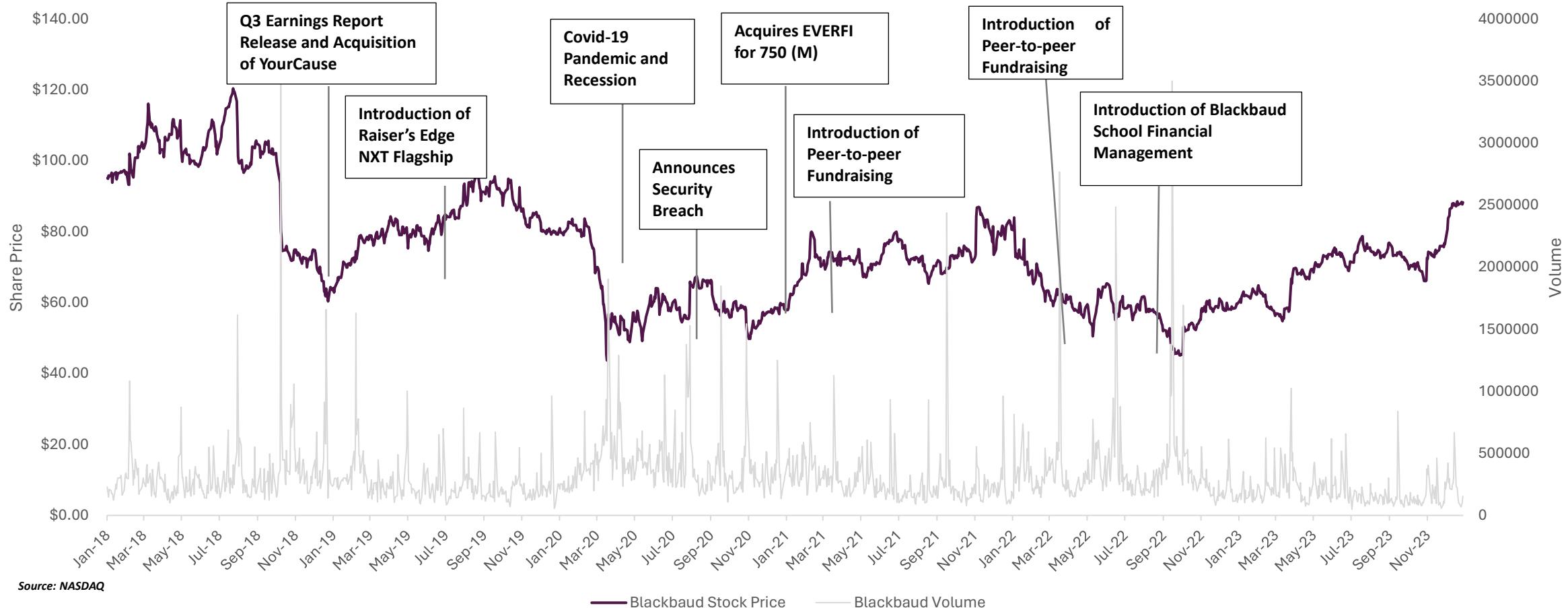
blackbaud

Company	Ticker	Market Data (as of most recent period end date)							Financials		Valuation
		Share Price	Shares Outstanding	Equity Value	Net Debt	Enterprise Value	EBITDA		EV/EBITDA		
Blackbaud	BLKB	\$ 58.86	53,853	\$ 3,169,787.58	\$ 827,352.00	\$ 3,997,139.58	\$ 148,415.00			26.9x	
Salesforce	CRM	\$ 167.97	968,000	\$ 162,594,960.00	\$ 4,376,000.00	\$ 166,970,960.00	\$ 5,644,000.00			29.6x	
Oracle	ORCL	\$ 105.99	2,748,922	\$ 291,358,242.78	\$ 80,716,000.00	\$ 372,074,242.78	\$ 19,881,000.00			18.7x	
Intuit Inc	INTU	\$ 511.83	279,936	\$ 143,279,642.88	\$ 817,700.00	\$ 144,097,342.88	\$ 3,947,000.00			36.5x	
ZoomInfo	ZI	\$ 30.11	389,782	\$ 11,736,336.02	\$ (130,377.00)	\$ 11,805,959.02	\$ 271,000.00			42.8x	
Intapp Inc	INTA	\$ 41.91	69,656	\$ 2,919,282.96	\$ (1,102,957.00)	\$ 1,816,325.96	\$ (50,975.00)			-35.6x	
Atlassian	TEAM	\$ 167.81	258,059	\$ 43,304,880.79	\$ 598,903.00	\$ 43,903,783.79	\$ (187,401.00)			-234.3x	
PowerSchool Holdings	PWSC	\$ 23.08	201,941	\$ 4,660,798.28	\$ 3,272,000.00	\$ 7,932,798.28	\$ 148,599.00			53.4x	
Statistical Distribution											
High											53.4x
75th Percentile											39.7x
Average											-12.7x
Median											29.6x
25th Percentile											-8.5x
Low											-234.3x
Blackbaud Valuation											
Implied Enterprise Value											4,390,679
Net Debt											827,352
Implied Market Value											3,563,327
Shares Outstanding											53,853
Implied Value Per Share											66.17

Source: Team Consensus

VALUATION: ANNOTATED SHARE PRICE HISTORY

blackbaud



Source: NASDAQ

VALUATION: EBIT/WACC SENSITIVITY ANALYSIS

blackbaud

	EARNINGS BEFORE INTEREST AND TAXES GROWTH RATE							
	18%	19%	20%	20.81%	21%	22%	23%	
WACC	7.0%	\$ 61.77	\$ 63.79	\$ 65.89	\$ 67.64	\$ 68.05	\$ 70.28	\$ 72.59
	7.5%	\$ 60.13	\$ 62.12	\$ 64.16	\$ 65.87	\$ 66.27	\$ 68.46	\$ 70.71
	8.0%	\$ 58.54	\$ 60.48	\$ 62.47	\$ 64.15	\$ 64.54	\$ 66.68	\$ 68.88
	8.5%	\$ 56.99	\$ 58.88	\$ 60.84	\$ 62.38	\$ 62.86	\$ 64.94	\$ 67.09
	9%	\$ 55.48	\$ 57.33	\$ 59.24	\$ 60.84	\$ 61.22	\$ 63.26	\$ 65.36
	9.5%	\$ 54.01	\$ 55.82	\$ 57.69	\$ 59.25	\$ 59.62	\$ 61.62	\$ 63.68
	10.0%	\$ 52.58	\$ 54.35	\$ 56.17	\$ 57.10	\$ 58.07	\$ 60.02	\$ 62.03
	10.5%	\$ 51.18	\$ 52.92	\$ 54.7	\$ 56.20	\$ 56.55	\$ 58.46	\$ 60.43

Source: Team Consensus

VALUATION: TERMINAL GROWTH RATE/WACC SENSITIVITY ANALYSIS

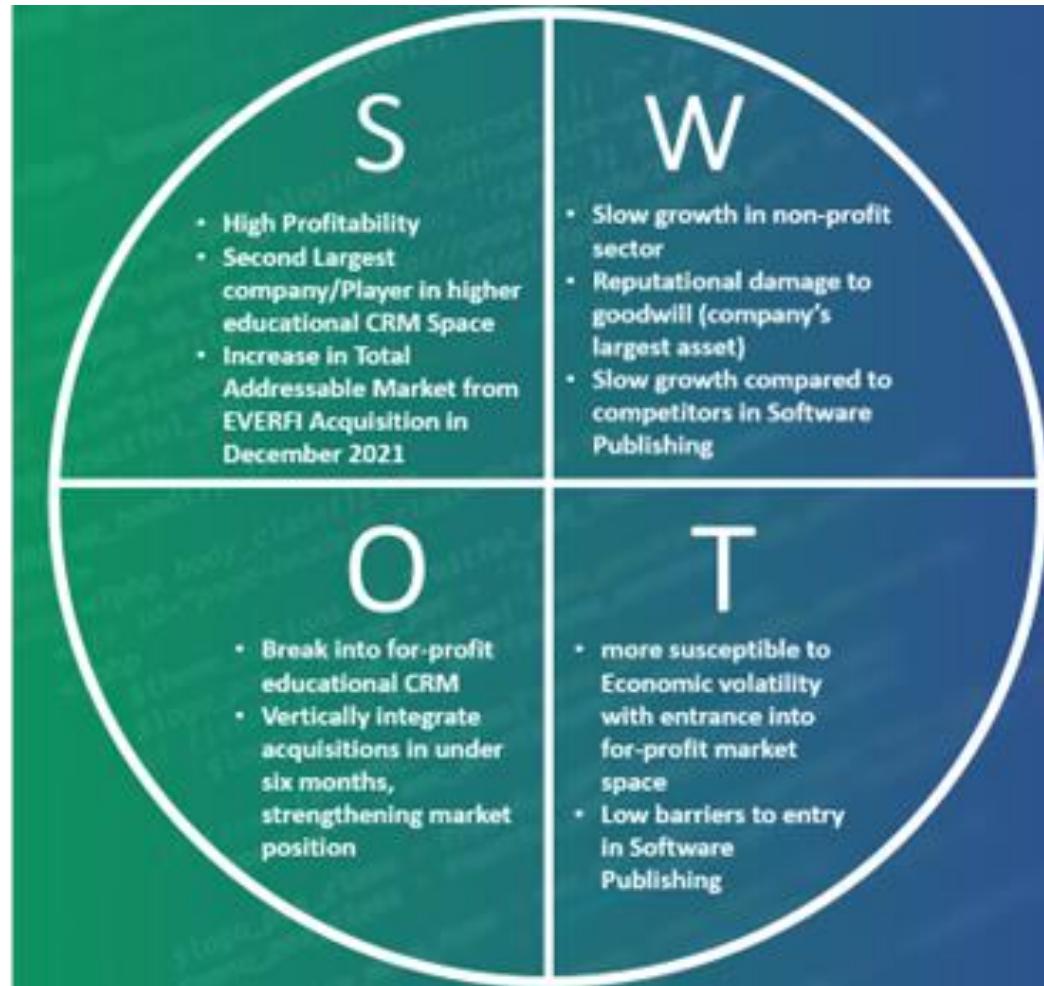
blackbaud

TERMINAL GROWTH RATE												
	2.0%	2.2%	2.4%	2.6%	2.8%	3.0%	3.2%	3.4%	3.6%	3.8%	4.0%	
WACC	7%	\$ 57.20	\$ 58.91	\$ 60.54	\$ 62.43	\$ 64.72	\$ 67.18	\$ 69.83	\$ 72.68	\$ 75.77	\$ 79.11	\$ 82.76
	7.5%	\$ 55.19	\$ 57.04	\$ 59.01	\$ 61.11	\$ 63.36	\$ 65.77	\$ 68.37	\$ 71.17	\$ 74.20	\$ 77.48	\$ 81.06
	8.0%	\$ 53.24	\$ 55.58	\$ 57.44	\$ 59.18	\$ 61.37	\$ 63.71	\$ 66.24	\$ 68.96	\$ 71.91	\$ 75.89	\$ 79.40
	8.5%	\$ 52.27	\$ 54.03	\$ 55.92	\$ 57.92	\$ 60.07	\$ 62.38	\$ 64.86	\$ 67.53	\$ 70.42	\$ 73.56	\$ 76.97
	9.0%	\$ 50.84	\$ 52.55	\$ 54.34	\$ 56.10	\$ 58.19	\$ 60.43	\$ 62.84	\$ 65.44	\$ 68.25	\$ 71.30	\$ 74.63
	9.5%	\$ 49.51	\$ 51.20	\$ 52.99	\$ 54.91	\$ 56.96	\$ 59.16	\$ 61.53	\$ 64.08	\$ 66.84	\$ 69.84	\$ 73.10
	10%	\$ 47.92	\$ 49.56	\$ 51.31	\$ 53.17	\$ 55.17	\$ 57.31	\$ 59.62	\$ 62.10	\$ 64.79	\$ 67.70	\$ 70.88

Source: Team Consensus

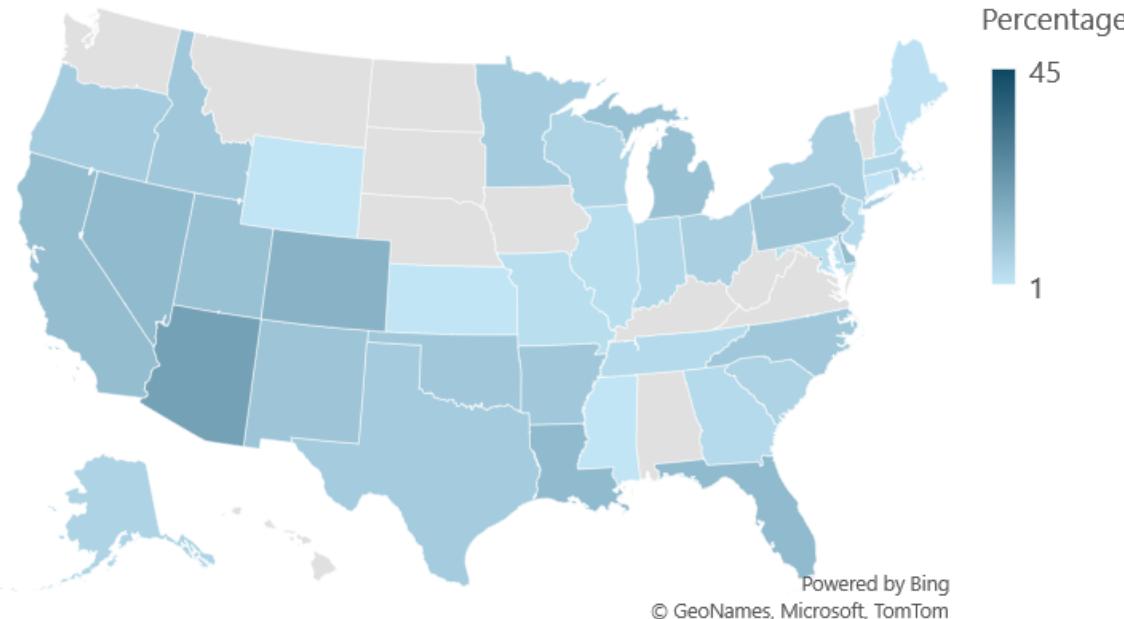
INDUSTRY & COMPETITIVE: SWOT ANALYSIS

blackbaud

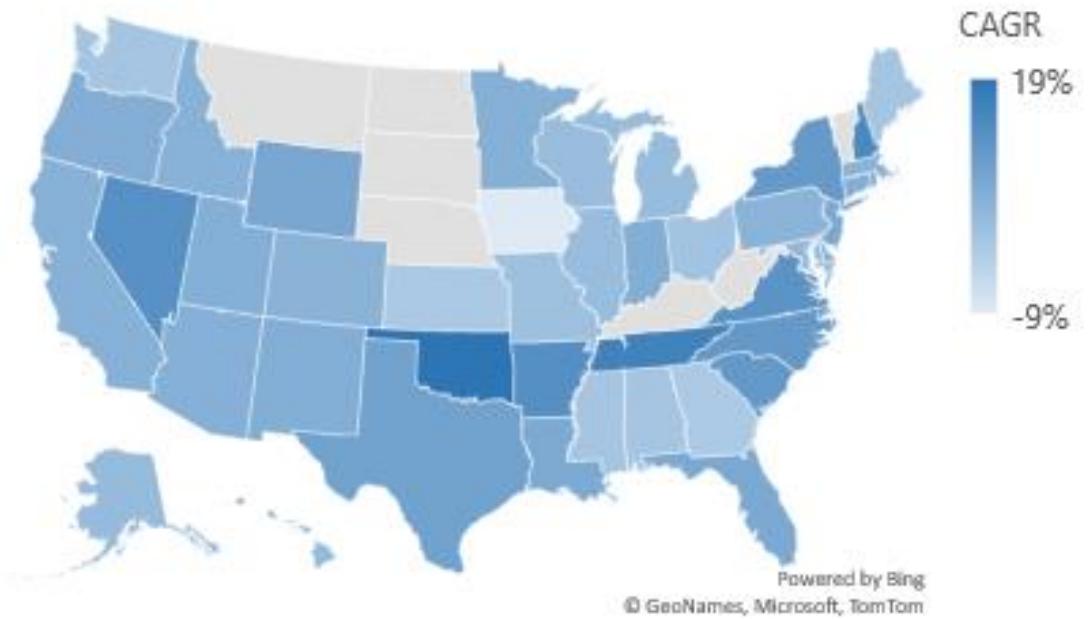


Source: IBIS World

CHARTER SCHOOL ENROLLMENT AS % OF PUBLIC-SCHOOL ENROLLMENT

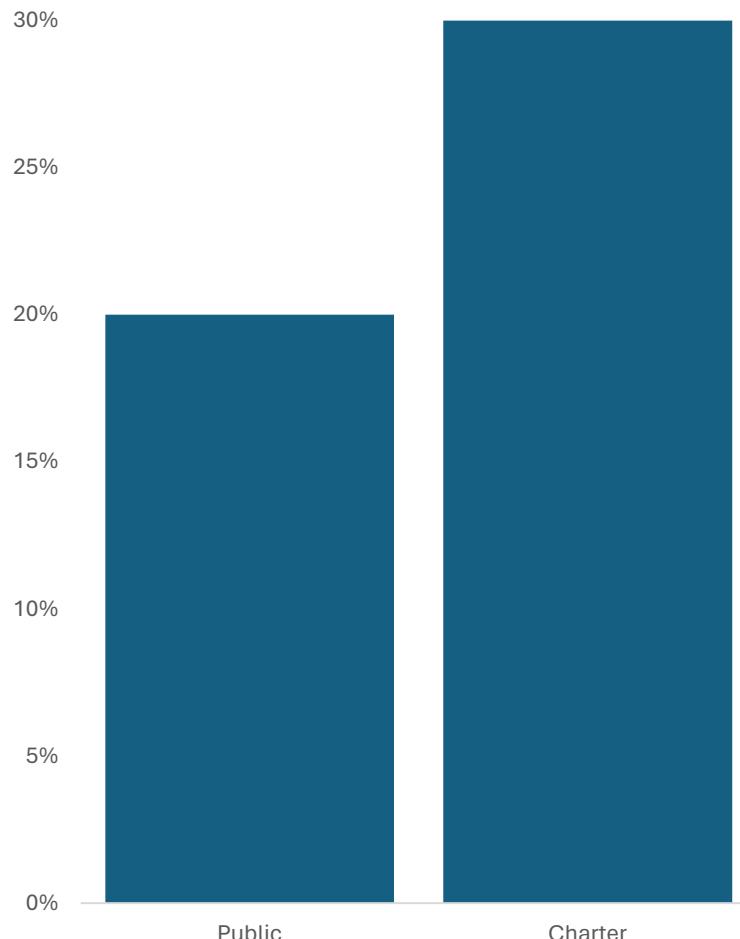


CHARTER SCHOOL COMPOUND ANNUAL GROWTH RATE (CAGR)

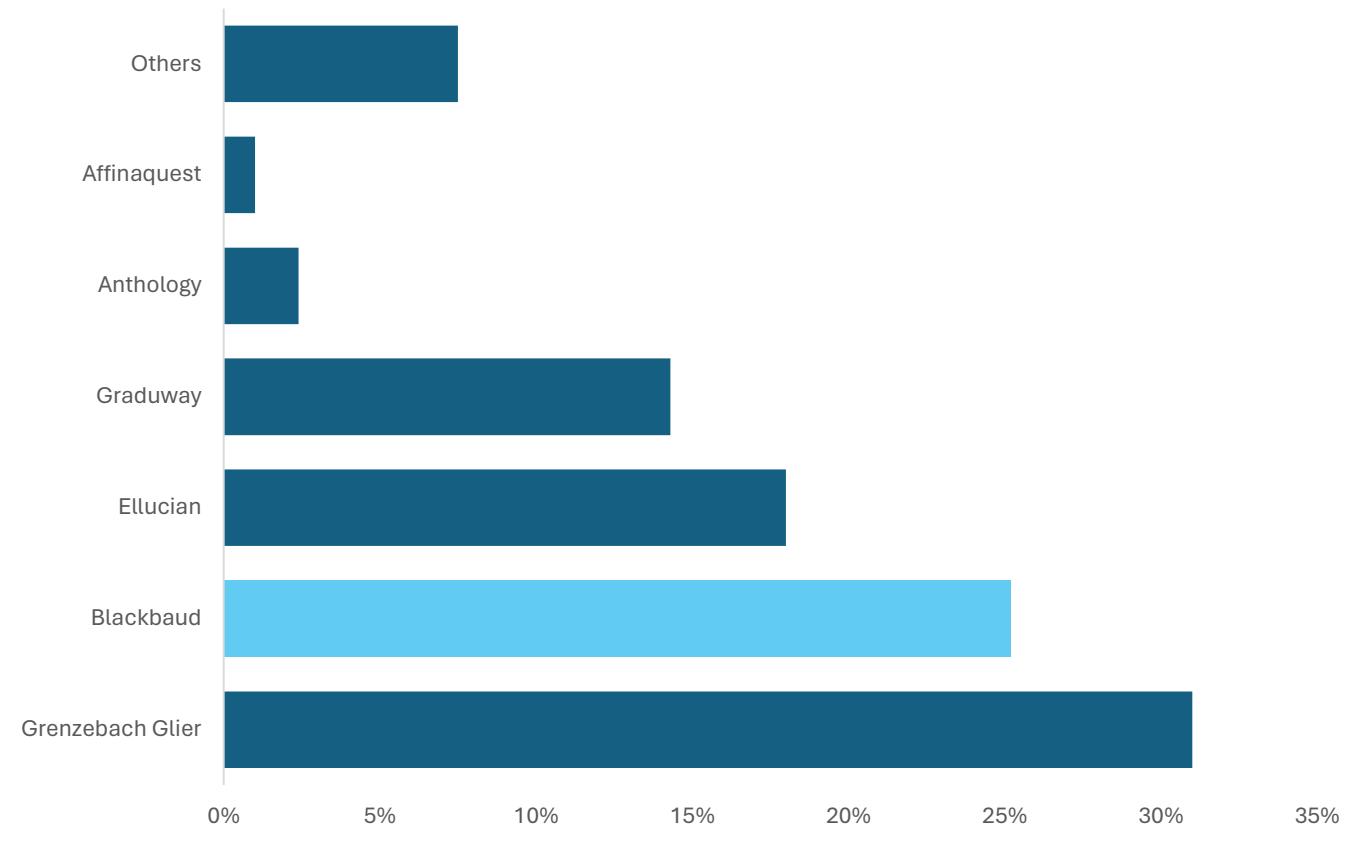


Sources: National Center for Education Statistics & Public Charter Schools Organization

CHARTER SCHOOL USE OF ONLINE CLASSES VS PUBLIC SCHOOLS



BLACKBAUD MARKET SHARE IN DONORS/ALUMNI CRS



Sources: National Center for Education Statistics & Listed Tech

Threat of New Entrants:

- **Non-profit Higher Education CRM:** Regulatory Compliance and Security Standards limit new entrants to a minor degree.
- **For-profit Education Offerings:** Competitive Market with low barriers to entry



Source: Team Consensus

Threats of Substitutes:

- **Non-profit Higher Education CRM:** Largest company in the Alumni CRM, with multiple near competitors
- **For-profit Education Offerings:** Numerous online competitors offering Financial Education packages.

Customer Bargaining Power:

- **Non-profit Higher Education CRM:** limited coordination of customers with exception of federal legislation for schools and hospitals
- **For-profit Education Offerings:** no coordination and low substantial regulations

Supplier Bargaining Power:

- **Non-profit Higher Education CRM:** Reliance on a combination of open-source software and other CRM providers in near-oligopolistic competition
- **For-profit Education Offerings:** Similar combination of open-source software and licensed offerings as the non-profit sector

Competitive Rivalry:

- **Non-profit Higher Education CRM:** Blackbaud faces intense competition in non-profit CRM sector, contending with a significant market presence and

Source: Team Consensus

Personal Data Ransomed	Cyber Security Leading Risk	Misleading Statements
<ul style="list-style-type: none"> One Million Files of Personal Data Stolen Social Security, Full Names, Phone Numbers, Financials, and Medical Information 	<ul style="list-style-type: none"> Cyber-Crimes Damages Company's Reputation With AI Enhancing Criminal Capabilities, Security Breaches are Becoming more Prevalent 	<ul style="list-style-type: none"> Failed to Notify Customers of Breach Immediately Falsely Claimed No Credit Card or Social Security was Accessed Led Customers to Believe No Action was Necessary Received Complaints Involving Identity Theft
Inadequate Security	Pending Litigation	Mandated Steps Under Proposed Order
<ul style="list-style-type: none"> Failure to Implement Appropriate Password Controls Lack of Multifactor Authentication Did not Monitor Unauthorized Attempts Lack of Test, Audit, or Regular Review of Security Features 	<ul style="list-style-type: none"> Under Investigation for the Security Incident and Misleading Statements by <ul style="list-style-type: none"> Australia United Kingdom Various US Agencies Faces Significant Liability and Potential Orders Requiring Expensive Security Implementations Additional Findings by Various Agencies may Result in Similar Orders in the Future Excessive Security Cost 	<ul style="list-style-type: none"> Blackbaud may No Longer Misrepresent their Security for the Security Incident Obtain Initial and Biennial Security Assessments for 20 years Hire 3rd party assessor Report Future Incidents within 10 days Monitor Compliance Risk of Future Consent Decrees

Sources: Team Consensus & Blackbaud 2022 10k

Integration of AI to Deliver Better Experiences

- Introduces a Layer of Uncertainty
- Concerns of Transparency and Accountability
 - Data Security
 - Confidentiality
 - Inaccurate Records

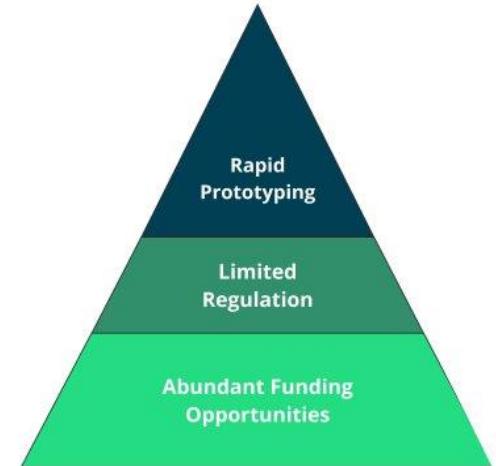
Large Proportion of Transactional Revenue

- Transactional Revenue - 29% of Total Revenue
 - Unpredictable Income Stream
 - Difficult to Build Long-Term Relationships
 - Encourages Customers to Seek Alternative Solutions

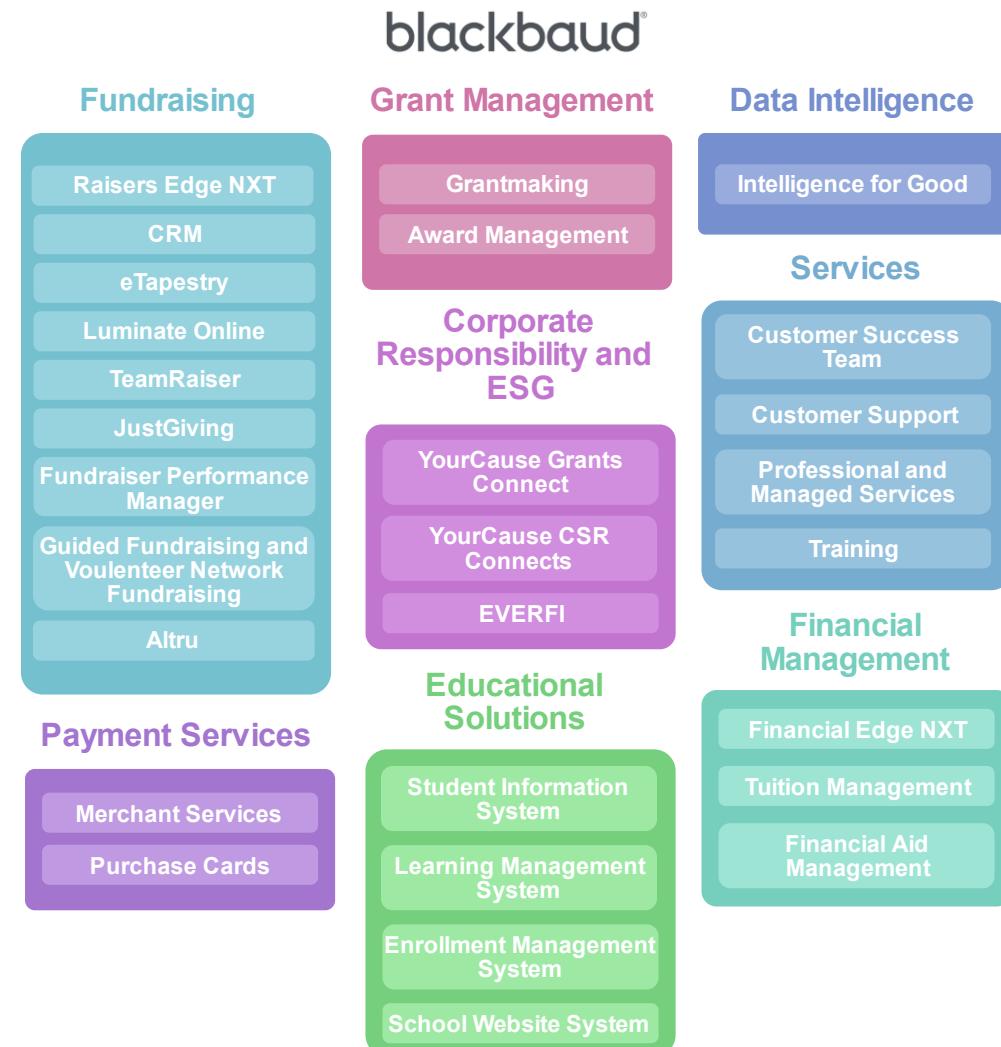
Highly Competitive Market

- Limited Barriers to Entry
- Direct Competitors
 - Targets Same Demographic
 - Products Directly Compete
- Indirect Competitors
 - Do Not Target Same Demographic
 - Could lead to entry into Blackbaud's Market

Limited Barriers to Enter Software Market

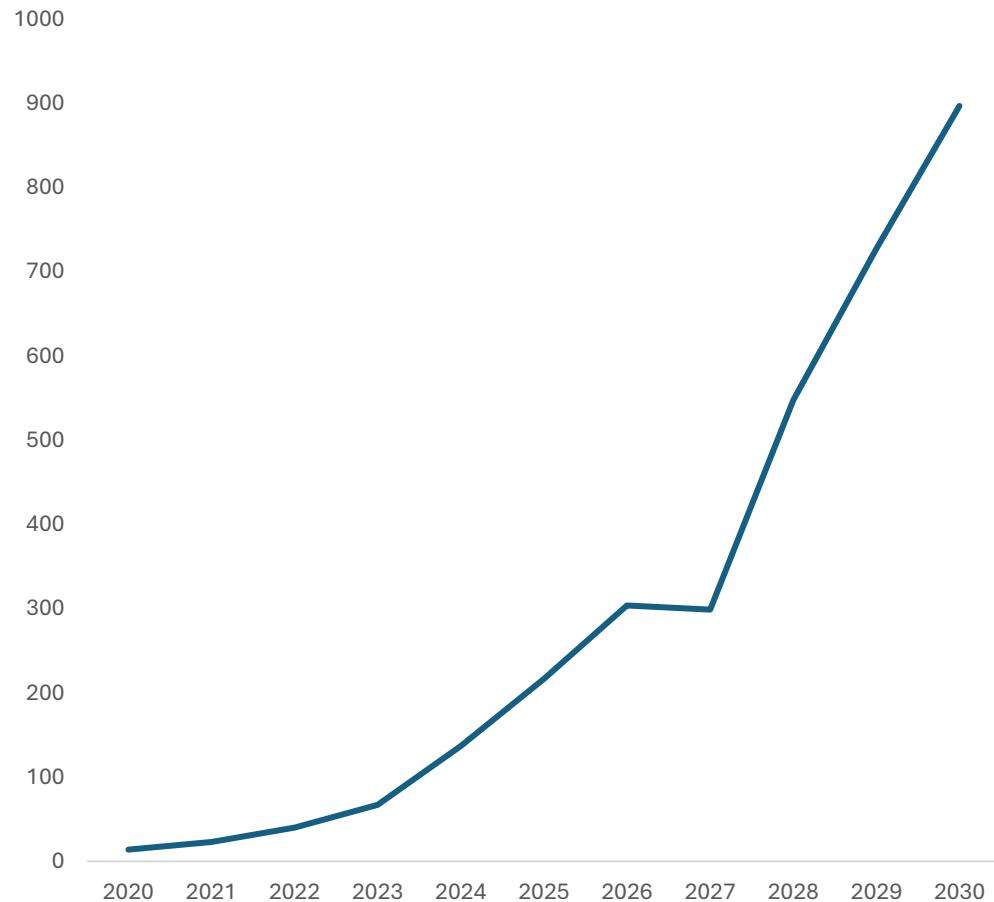


Sources: Team Consensus & Blackbaud 2022 10k



Source: Blackbaud 2022 10K

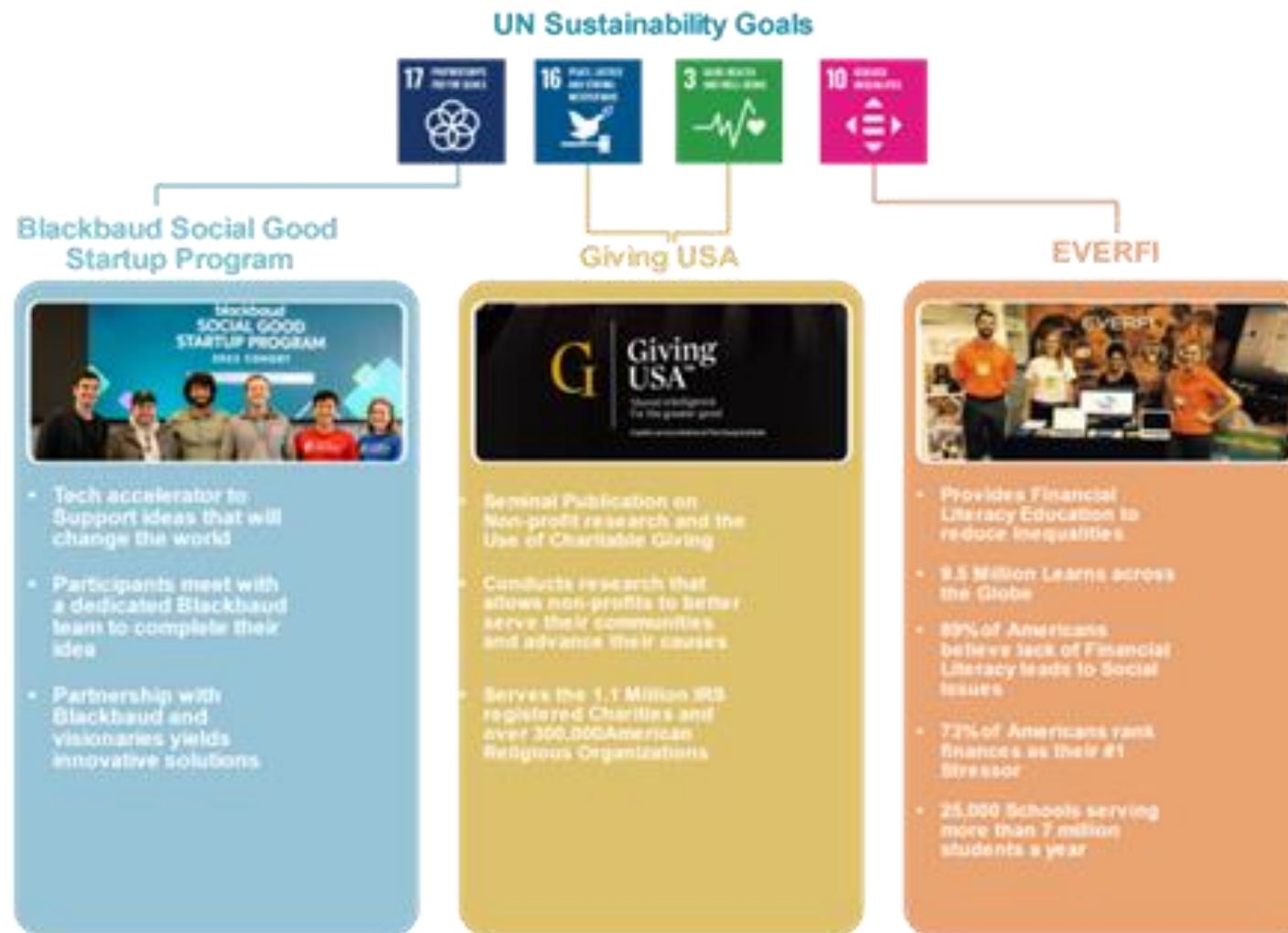
BLOOMBERG GENERATIVE AI FORECAST



RETURNS ON CSR

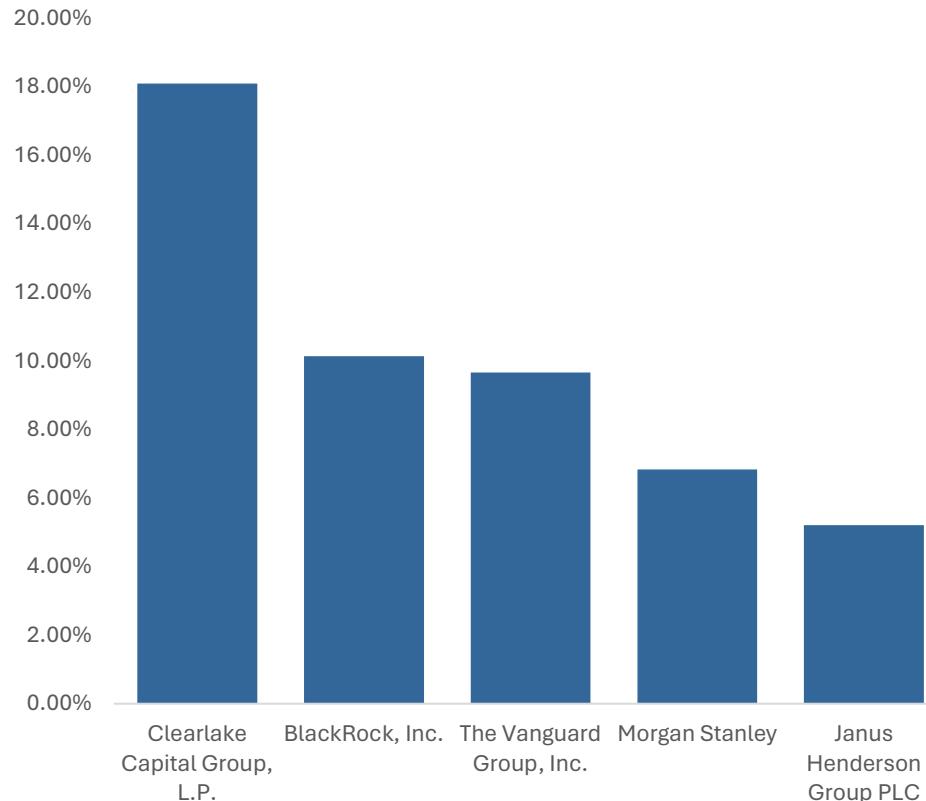


Sources: Bloomberg & Project RIO 2018

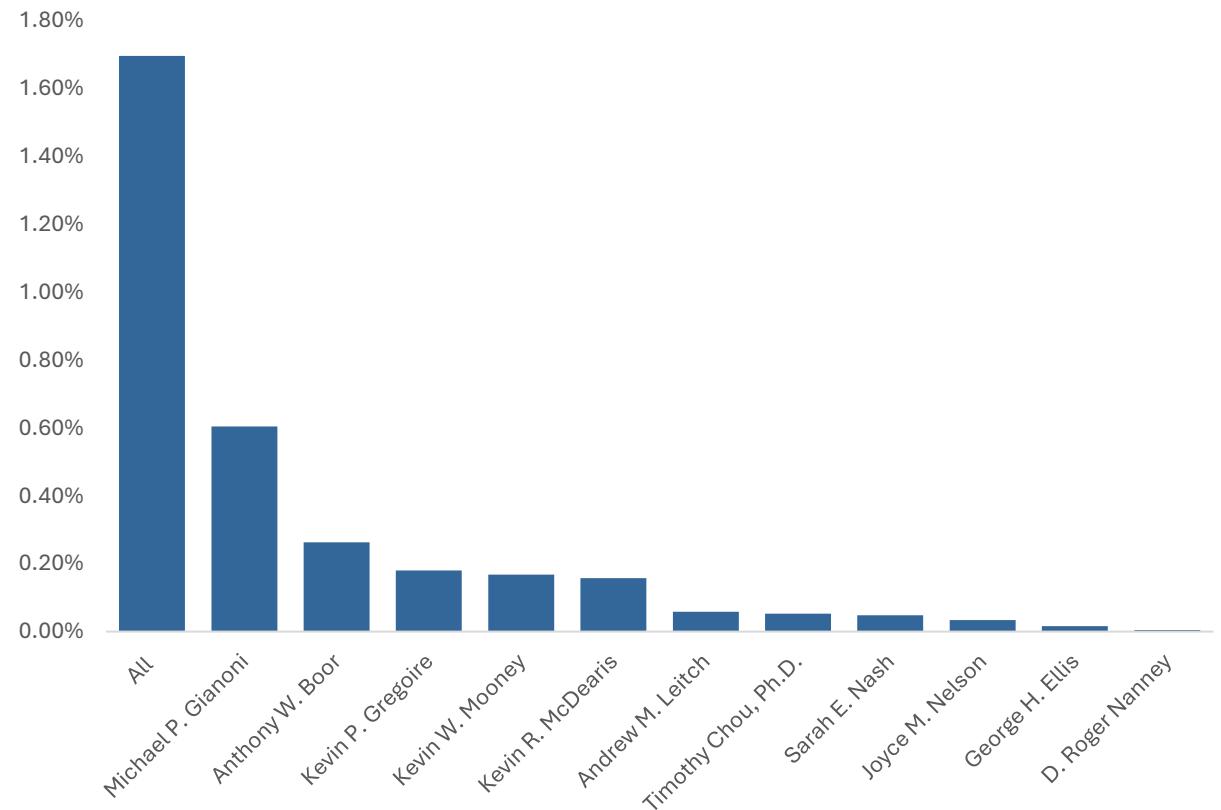


Source: Blackbaud ESG Report

Percentage Shares Owned



Percentage owned



Source: Blackbaud Website

APPENDIX 23: Executive Committee

Picture	Name	Title	Tenure	Joined	Degree	2022 Total Compensation	Shares or RSA's Owned
	Michael P. Gianoni	President and Chief Executive Officer	10 years	2014	BS Business	\$8,819,151	320,459
	Anthony W. Boor	Executive Vice President and Chief Financial Officer	13 years	2011	BA Accounting	\$3,562,888	139,430
	David J. Benjamin	Executive Vice President and Chief Commercial Officer	6 years	2018	MBA	\$4,093,008	63,080
	Kevin P. Gregoire	Executive Vice President and Chief Operating Officer	6 years	2018	MBA	\$4,216,130	97,358
	Kevin R. McDearis	Executive Vice President and Chief Technology Officer	10 years	2014	BS	\$2,744,381	80,108

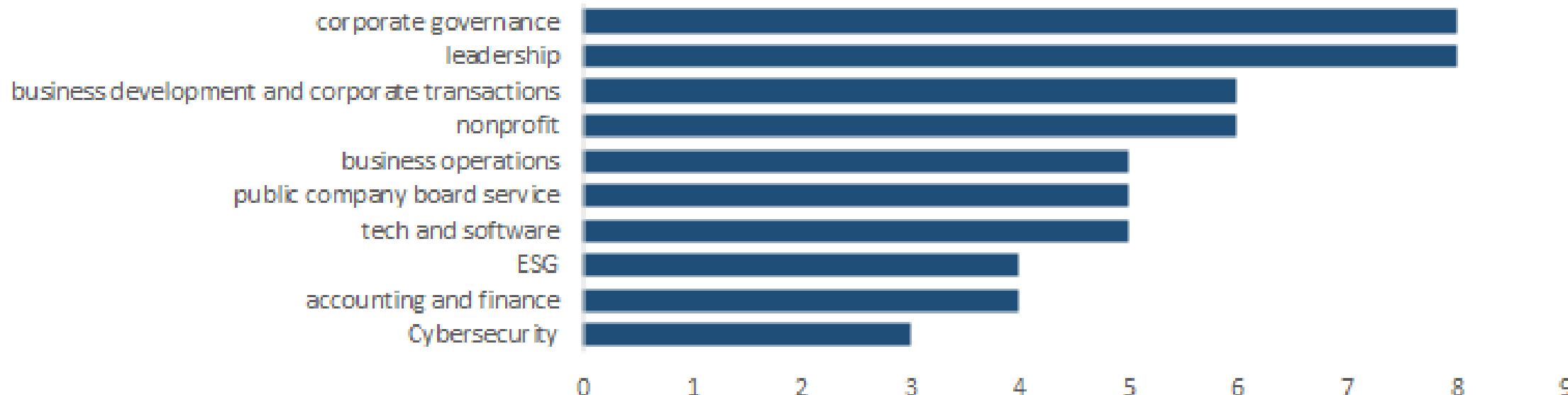
Source: Proxy Statement

APPENDIX 24: Board of Directors

Picture	Name	Former Position	Tenure	Joined	Degree	2022 Total Compensation	Shares or RS A's Owned	Current Expiration
	DENEEN M. DEFIORE	VP of United Airlines	1 years, 6 months	Jul-22	BS Business	\$332,703	242,091	2024
	GEORGE H. ELLIS	CFO of Accumen	17 years, 10 months	Mar-06	J.D. Law	\$342,703	674,300	2024
	MICHAEL P. GIANONI	VP of Fiserv	10 years, 0 months	Jan-14	BS Business	\$8,819,151	320,459	2025
	YOGESH K. GUPTA	CEO of Progress Software	1 years, 1 months	Dec-22	MCS	\$130,654	135,967	2026
	RUPAL S. HOLLENBECK	CCO Check Point Software	1 years, 1 months	Dec-22	MBA	\$130,654	135,967	2026
	ANDREW M. LEITCH	Regional Partner for Asia Deloitte & Touche	19 years, 11 months	Feb-04	CPA	\$472,703	1,780,221	2024
	D. ROGER NANNEY	Senior Partner Deloitte LLP	2 years, 3 months	Oct-21	MACC	\$327,703	392,184	2025
	SARAH E. NASH	CEO of Novagard	13 years, 6 months	Jul-10	BA Political Science	\$347,703	1,761,091	2025

Source: Proxy Statement

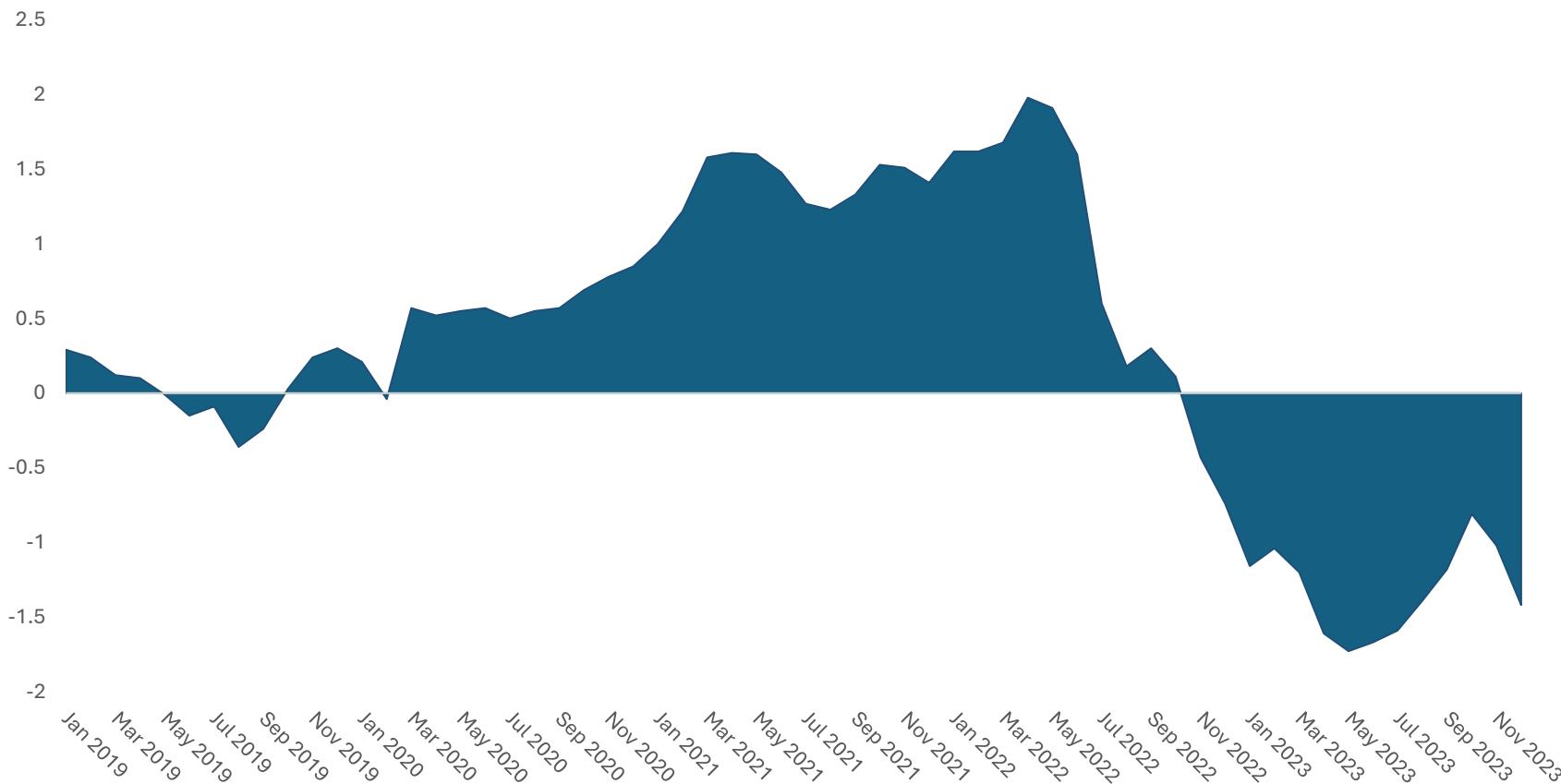
APPENDIX 25: Board of Directors by Expertise



Source: Proxy Statement

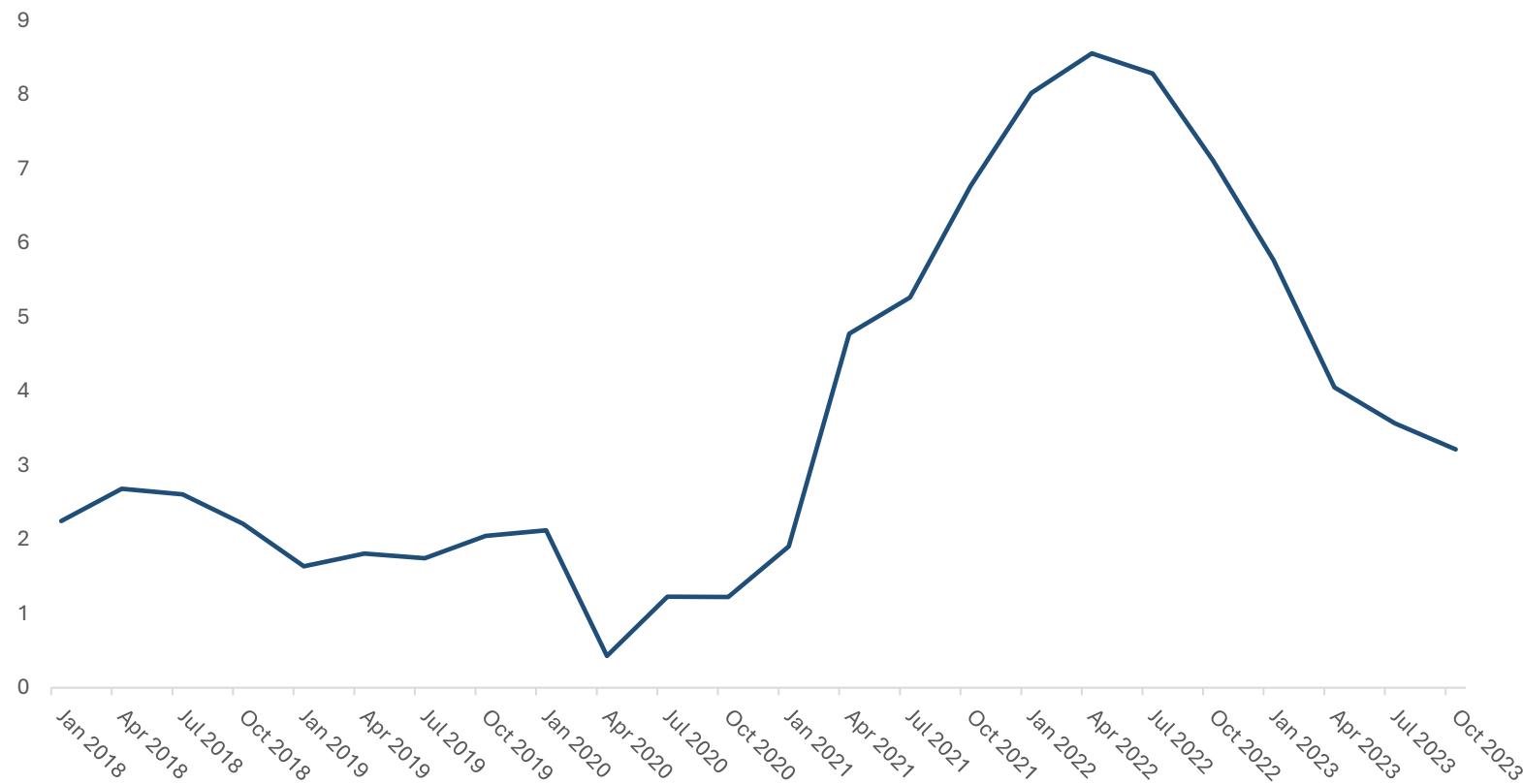
10YR TREASURY MATURITY MINUS 3-MONTH

Percent, Not Annually Adjusted



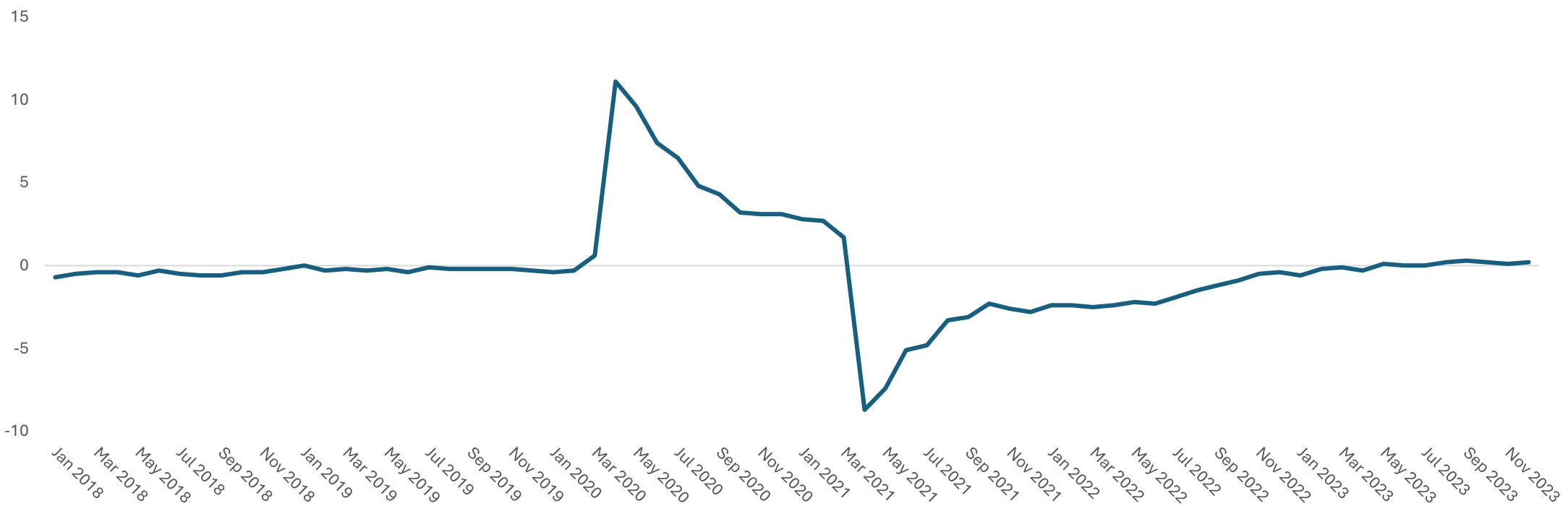
Source: Federal Reserve FRED

CONSUMER PRICE INDEX Percent Change from a Year Ago



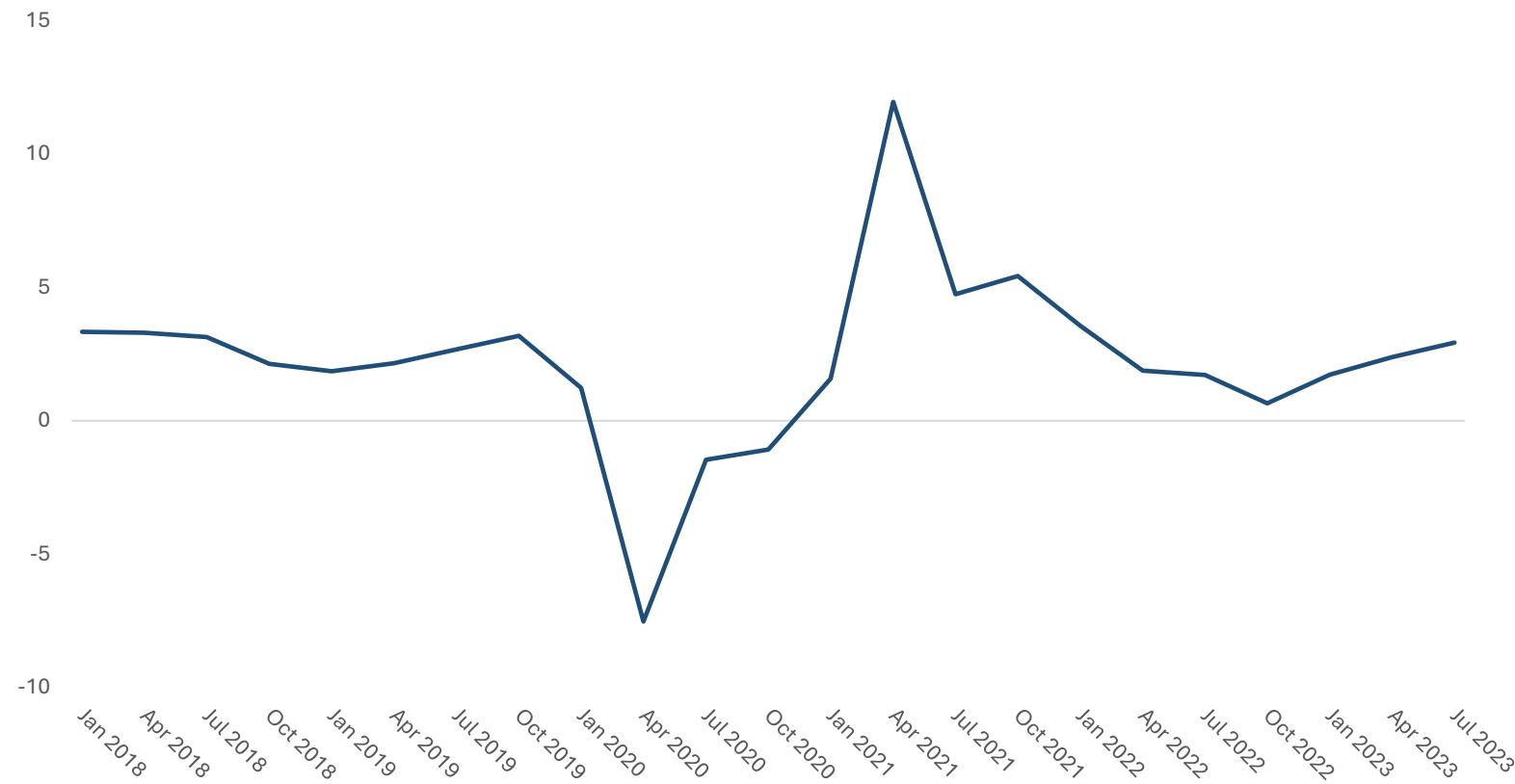
Source: Federal Reserve FRED

UNEMPLOYMENT RATE Change from Year Ago, Percent



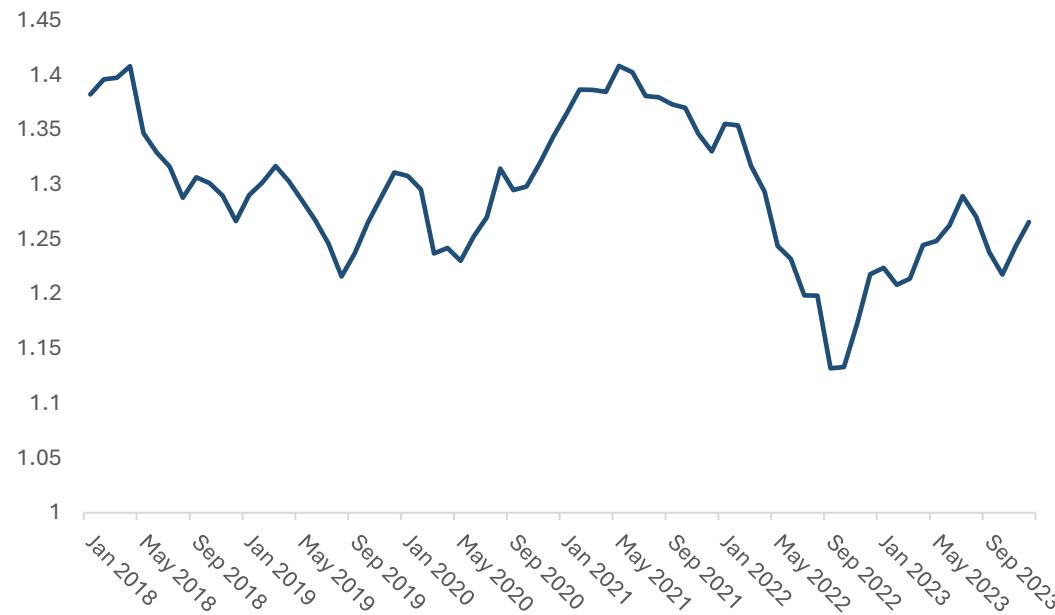
Source: Federal Reserve FRED

REAL GROSS DOMESTIC PRODUCT Percent Change from a Year Ago

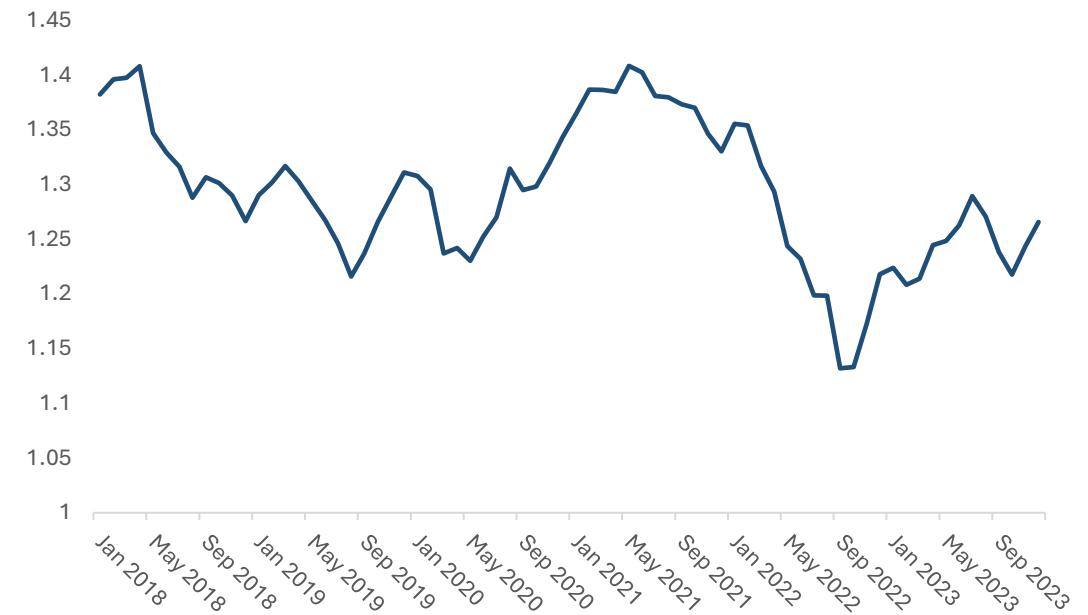


Source: Federal Reserve FRED

EXCHANGE RATE US Dollar to UK Pound Sterling



EXCHANGE RATE U.S Dollars to Euro



Source: Federal Reserve FRED