

BLACKBAUD INC  
Form 10-Q  
May 06, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended March 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: 000-50600

Blackbaud, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

2000 Daniel Island Drive  
Charleston, South Carolina 29492

(Address of principal executive offices, including zip code)

(843) 216-6200

(Registrant's telephone number, including area code)

11-2617163

(I.R.S. Employer  
Identification No.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

The number of shares of the registrant's Common Stock outstanding as of April 27, 2015 was 46,873,670.

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Blackbaud, Inc.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These statements are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements in this report not dealing with historical results or current facts are forward-looking and are based on estimates, assumptions and projections. Statements which include the words “believes,” “seeks,” “expects,” “may,” “might,” “should,” “intends,” “could,” “would,” “likely,” “will,” “targets,” “pursues,” “aims,” “projects,” “estimates” or the negative version of those words and similar statements of a future or forward-looking nature identify forward-looking statements.

Although we attempt to be accurate in making these forward-looking statements, future circumstances might differ from the assumptions on which such statements are based. In addition, other important factors that could cause results to differ materially include those set forth elsewhere in this report, under “Item 1A. Risk factors” and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2014 and in our other SEC filings. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Blackbaud, Inc.

Consolidated balance sheets

(Unaudited)

(in thousands, except share amounts)	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,286	\$ 14,735
Donor restricted cash	58,355	140,709
Accounts receivable, net of allowance of \$4,393 and \$4,539 at March 31, 2015 and December 31, 2014, respectively	74,901	77,523
Prepaid expenses and other current assets	39,074	40,392
Deferred tax asset, current portion	14,119	14,423
Total current assets	199,735	287,782
Property and equipment, net	47,444	50,402
Goodwill	348,605	349,008
Intangible assets, net	220,910	229,307
Other assets	26,668	26,684
Total assets	\$ 843,362	\$ 943,183
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 11,203	\$ 11,436
Accrued expenses and other current liabilities	35,270	52,201
Donations payable	58,355	140,709
Debt, current portion	4,375	4,375
Deferred revenue, current portion	205,876	212,283
Total current liabilities	315,079	421,004
Debt, net of current portion	281,413	276,196
Deferred tax liability	42,443	43,639
Deferred revenue, net of current portion	9,102	8,991
Other liabilities	7,445	7,437
Total liabilities	655,482	757,267
Commitments and contingencies (see Note 12)		
Stockholders' equity:		
Preferred stock; 20,000,000 shares authorized, none outstanding	—	—
Common stock, \$0.001 par value; 180,000,000 shares authorized, 56,641,530 and 56,048,135 shares issued at March 31, 2015 and December 31, 2014, respectively	57	56
Additional paid-in capital	251,340	245,674
Treasury stock, at cost; 9,775,789 and 9,740,054 shares at March 31, 2015 and December 31, 2014, respectively	(192,038)	(190,440)
Accumulated other comprehensive loss	(1,827)	(1,032)
Retained earnings	130,348	131,658
Total stockholders' equity	187,880	185,916
Total liabilities and stockholders' equity	\$ 843,362	\$ 943,183

The accompanying notes are an integral part of these consolidated financial statements.



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Blackbaud, Inc.  
 Consolidated statements of comprehensive income  
 (Unaudited)

(in thousands, except share and per share amounts)	Three months ended	
	March 31,	
	2015	2014
Revenue		
Subscriptions	\$72,513	\$58,268
Maintenance	38,896	35,652
Services	31,306	28,130
License fees and other	4,278	5,572
Total revenue	146,993	127,622
Cost of revenue		
Cost of subscriptions	36,178	30,124
Cost of maintenance	7,502	5,414
Cost of services	26,971	26,263
Cost of license fees and other	1,161	1,529
Total cost of revenue	71,812	63,330
Gross profit	75,181	64,292
Operating expenses		
Sales and marketing	28,562	25,116
Research and development	21,276	16,494
General and administrative	16,843	12,818
Amortization	488	587
Total operating expenses	67,169	55,015
Income from operations	8,012	9,277
Interest income	8	16
Interest expense	(1,686	)(1,459
Loss on debt extinguishment and termination of derivative instruments (see Notes 10 and 11)	—	(996
Other expense, net	(295	)(236
Income before provision for income taxes	6,039	6,602
Income tax provision	1,754	2,788
Net income	\$4,285	\$3,814
Earnings per share		
Basic	\$0.09	\$0.08
Diluted	\$0.09	\$0.08
Common shares and equivalents outstanding		
Basic weighted average shares	45,529,668	45,127,645
Diluted weighted average shares	46,168,096	45,552,451
Dividends per share		