

BLACKBAUD INC
Form 10-Q
May 07, 2014

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, 2014

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	11-2617163
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
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)	

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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 25, 2014 was 46,160,187.

BLACKBAUD, INC.
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Safe Harbor Cautionary Statement

This Quarterly Report on Form 10-Q, including the section titled “Management's discussion and analysis of financial condition and results of operations” in Part I, Item 2, 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 consist of, among other things, trend analyses, statements regarding future events, future financial performance, our anticipated growth, the effect of general economic and market conditions, our business strategy and our plan to build and grow our business, our operating results, our ability to successfully integrate acquired businesses and technologies, the effect of foreign currency exchange rate and interest rate fluctuations on our financial results, the impact of expensing stock-based compensation, the sufficiency of our capital resources, our ability to meet our ongoing debt and obligations as they become due, and potential litigation involving us, all of which are based on current expectations, estimates, and forecasts, and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “aims,” “projects,” “intends,” “plans,” “likely,” “will,” “should,” “believes,” “estimates,” “seeks,” variations of such words, and similar expressions are also intended to identify such forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that could cause actual results to differ materially from our expectations expressed in the report include: general economic risks; lengthy sales and implementation cycles, particularly in larger organizations; uncertainty regarding increased business and renewals from existing customers; continued success in sales growth; management of integration of recently acquired companies and other risks associated with acquisitions; the ability to attract and retain key personnel; risks associated with successful implementation of multiple integrated software products; risks related to our dividend policy and stock repurchase program, including potential limitations on our ability to grow and the possibility that we might discontinue payment of dividends; risks relating to restrictions imposed by our credit facility; risks associated with management of growth; technological changes that make our products and services less competitive; and the other risk factors set forth from time to time in our SEC filings. Factors that could cause or contribute to such differences include, but are not limited to, those summarized under Risk Factors in our annual report on Form 10-K for the year ended December 31, 2013, and our quarterly reports on Forms 10-Q. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this quarterly report on Form 10-Q. Except as required by law, we do not intend, and undertake 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.

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements

Blackbaud, Inc.

Consolidated balance sheets

(Unaudited)

(in thousands, except share amounts)	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$32,550	\$11,889
Donor restricted cash	43,534	107,362
Accounts receivable, net of allowance of \$5,394 and \$5,613 at March 31, 2014 and December 31, 2013, respectively	63,368	66,969
Prepaid expenses and other current assets	29,940	30,115
Deferred tax asset, current portion	12,103	13,434
Total current assets	181,495	229,769
Property and equipment, net	47,925	49,550
Goodwill	264,819	264,599
Intangible assets, net	137,572	143,441
Other assets	19,938	19,251
Total assets	\$651,749	\$706,610
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$9,469	\$10,244
Accrued expenses and other current liabilities	36,775	40,443
Donations payable	43,534	107,362
Debt, current portion	4,375	17,158
Deferred revenue, current portion	173,155	181,475
Total current liabilities	267,308	356,682
Debt, net of current portion	168,770	135,750
Deferred tax liability	36,532	36,880
Deferred revenue, net of current portion	8,405	9,099
Other liabilities	6,298	6,655
Total liabilities	487,313	545,066
Commitments and contingencies (see Note 11)		
Stockholders' equity:		
Preferred stock; 20,000,000 shares authorized, none outstanding	—	—
Common stock, \$0.001 par value; 180,000,000 shares authorized, 55,747,874 and 55,699,817 shares issued at March 31, 2014 and December 31, 2013, respectively	56	56
Additional paid-in capital	225,075	220,763
Treasury stock, at cost; 9,591,130 and 9,573,102 shares at March 31, 2014 and December 31, 2013, respectively	(183,882)	(183,288)
Accumulated other comprehensive loss	(518)	(1,385)
Retained earnings	123,705	125,398
Total stockholders' equity	164,436	161,544
Total liabilities and stockholders' equity	\$651,749	\$706,610

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

Blackbaud, Inc.

Consolidated statements of comprehensive income
(Unaudited)

(in thousands, except share and per share amounts)

	Three months ended March 31,	
	2014	2013
Revenue		
License fees	\$3,907	\$2,980
Subscriptions	58,268	47,756
Services	28,130	28,838
Maintenance	35,652	34,148
Other revenue	1,665	1,901
Total revenue	127,622	115,623
Cost of revenue		
Cost of license fees	530	725
Cost of subscriptions	30,124	20,383
Cost of services	26,263	25,399
Cost of maintenance	5,414	5,874
Cost of other revenue	999	1,197
Total cost of revenue	63,330	53,578
Gross profit	64,292	62,045
Operating expenses		
Sales and marketing	25,116	24,392
Research and development	16,494	16,429
General and administrative	12,818	12,742
Restructuring		