

BLACKBAUD INC
Form 10-Q
August 07, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2009

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

11-2617163
(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 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 July 30, 2009 was 43,844,872.

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BLACKBAUD, INC.

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Table of Contents**PART I- FINANCIAL INFORMATION****Item 1. Financial statements****Blackbaud, Inc.****Consolidated balance sheets****(Unaudited)**

(in thousands, except share amounts)	June 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,537	\$ 16,361
Donor restricted cash	5,514	12,363
Accounts receivable, net of allowance of \$2,696 and \$2,777 at June 30, 2009 and December 31, 2008, respectively	59,248	52,554
Prepaid expenses and other current assets	16,839	17,281
Deferred tax asset, current portion	6,754	6,858
Total current assets	106,892	105,417
Property and equipment, net	20,174	21,384
Deferred tax asset	62,751	64,762
Goodwill	75,130	73,615
Intangible assets, net	45,569	48,171
Other assets	480	537
Total assets	\$ 310,996	\$ 313,886
Liabilities and stockholders equity		
Current liabilities:		
Trade accounts payable	\$ 6,787	\$ 7,023
Accrued expenses and other current liabilities	23,248	21,758
Donations payable	5,514	12,363
Capital lease obligations, current portion	290	384
Debt, current portion	41,610	60,049
Deferred revenue	126,892	113,802
Total current liabilities	204,341	215,379
Capital lease obligations, noncurrent	81	203
Long-term debt, net of current portion	717	1,288
Deferred revenue, noncurrent	5,597	5,838
Other noncurrent liabilities	792	670
Total liabilities	211,528	223,378
Commitments and contingencies (see Note 9)		
Stockholders equity:		

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Preferred stock; 20,000,000 shares authorized, none outstanding	-	-
Common stock, \$0.001 par value; 180,000,000 shares authorized, 51,344,233 and 51,269,081 shares issued at June 30, 2009 and December 31, 2008, respectively	51	51
Additional paid-in capital	123,470	116,846
Treasury stock, at cost; 7,512,701 and 7,494,466 shares at June 30, 2009 and December 31, 2008, respectively	(130,804)	(130,594)
Accumulated other comprehensive loss	(218)	(899)
Retained earnings	106,969	105,104
Total stockholders equity	99,468	90,508
Total liabilities and stockholders equity	\$ 310,996	\$ 313,886

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

Table of Contents**Blackbaud, Inc.****Consolidated statements of operations****(Unaudited)**

(in thousands, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Revenue				
License fees	\$ 5,799	\$ 9,603	\$ 13,204	\$ 19,238
Services	22,465	25,336	43,594	48,912
Maintenance	28,821	26,371	56,832	51,801
Subscriptions	17,773	9,010	34,496	17,795
Other revenue	1,557	2,182	3,030	4,192
Total revenue	76,415	72,502	151,156	141,938
Cost of revenue				
Cost of license fees	981	807	1,884	1,649
Cost of services	15,512	14,905	31,721	30,598
Cost of maintenance	5,432	4,595	10,580	9,299
Cost of subscriptions	7,038	3,824	13,778	7,480
Cost of other revenue	1,533	2,023	2,811	3,871
Total cost of revenue	30,496	26,154	60,774	52,897
Gross profit	45,919	46,348	90,382	89,041
Operating expenses				
Sales and marketing	15,072	15,672	31,187	30,911
Research and development	11,301	8,642	22,762	17,409
General and administrative	8,513	7,273	17,452	14,539
Amortization	192	167	378	334
Total operating expenses	35,078	31,754	71,779	63,193
Income from operations	10,841	14,594	18,603	25,848
Interest income	37	34	99	199
Interest expense	(270)	(148)	(695)	(218)
Other income (expense), net	31	49	(130)	(40)
Income before provision for income taxes	10,639	14,529	17,877	25,789
Income tax provision	4,051	5,542	7,217	9,759
Net income	\$ 6,588	\$ 8,987	\$ 10,660	\$ 16,030

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Earnings per share

Basic	\$ 0.15	\$ 0.21	\$ 0.25	\$ 0.37
Diluted	\$ 0.15	\$ 0.21	\$ 0.25	\$ 0.36

Common shares and equivalents outstanding

Basic weighted average shares	42,577,549	42,776,609	42,531,323	43,336,989
Diluted weighted average shares	43,333,871	43,457,710	43,141,654	44,064,436

Dividends per share	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.20
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The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Blackbaud, Inc.****Consolidated statements of cash flows****(Unaudited)**

(in thousands)	Six months ended June 30,	
	2009	2008
Cash flows from operating activities		
Net income	\$ 10,660	\$ 16,030
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,694	5,107
Provision for doubtful accounts and sales returns	1,285	2,199
Stock-based compensation expense	6,245	4,678
Excess tax benefit on exercise of stock options	(464)	(18)
Deferred taxes	3,345	2,363
Other non-cash adjustments	69	37
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable	(5,655)	(20,886)
Prepaid expenses and other assets	1,208	994
Trade accounts payable	(467)	519
Accrued expenses and other current liabilities	(262)	(2,773)
Donor restricted cash	6,849	-
Donations payable	(6,849)	-
Deferred revenue	10,870	13,218
Net cash provided by operating activities	34,528	21,468
Cash flows from investing activities		
Purchase of property and equipment	(2,665)	(2,957)
Purchase of net assets of acquired companies, net of cash acquired	(2,258)	(2,895)
Net cash used in investing activities	(4,923)	(5,852)
Cash flows from financing activities		
Proceeds from issuance of debt	-	27,200
Proceeds from exercise of stock options	255	393
Excess tax benefit on exercise of stock options	464	18
Payments on debt	(19,010)	(2,708)
Payments on deferred financing fees	-	(47)
Payments on capital lease obligations	(217)	(276)
Purchase of treasury stock	-	(36,027)
Dividend payments to stockholders	(8,807)	(8,843)
Net cash used in financing activities	(27,315)	(20,290)
Effect of exchange rate on cash and cash equivalents	(114)	(122)
Net increase (decrease) in cash and cash equivalents	2,176	(4,796)
Cash and cash equivalents, beginning of period	16,361	14,775
Cash and cash equivalents, end of period	\$ 18,537	\$ 9,979

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

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Blackbaud, Inc.

Consolidated statements of stockholders' equity and comprehensive income

(Unaudited)