

BLACKBAUD INC
Form 10-Q
August 06, 2010
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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, 2010

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 28, 2010 was 43,806,589.

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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, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,264	\$ 22,769
Donor restricted cash	6,936	12,874
Accounts receivable, net of allowance of \$2,887 and \$3,559 at June 30, 2010 and December 31, 2009, respectively	61,991	50,220
Prepaid expenses and other current assets	17,698	18,155
Deferred tax asset, current portion	5,728	5,728
Total current assets	105,617	109,746
Property and equipment, net	23,315	22,507
Deferred tax asset	53,946	55,570
Goodwill	73,544	73,919
Intangible assets, net	39,171	42,019
Other assets	2,527	468
Total assets	\$ 298,120	\$ 304,229
Liabilities and stockholders equity		
Current liabilities:		
Trade accounts payable	\$ 10,616	\$ 10,683
Accrued expenses and other current liabilities	22,077	25,974
Donations payable	6,936	12,874
Debt, current portion	4,217	1,288
Deferred revenue	138,175	129,412
Total current liabilities	182,021	180,231
Deferred revenue, noncurrent	7,316	6,172
Other noncurrent liabilities	1,493	1,720
Total liabilities	190,830	188,123
Commitments and contingencies (see Note 9)		
Stockholders equity:		
Preferred stock; 20,000,000 shares authorized, none outstanding	-	-
Common stock, \$0.001 par value; 180,000,000 shares authorized, 52,462,176 and 52,214,606 shares issued at June 30, 2010 and December 31, 2009, respectively	52	52
Additional paid-in capital	144,767	134,726

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Treasury stock, at cost; 8,633,780 and 7,677,341 shares at June 30, 2010 and December 31, 2009, respectively	(155,897)	(134,382)
Accumulated other comprehensive loss	(485)	(201)
Retained earnings	118,853	115,911
Total stockholders equity	107,290	116,106
Total liabilities and stockholders equity	\$ 298,120	\$ 304,229

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,	
	2010	2009	2010	2009
Revenue				
License fees	\$ 6,972	\$ 5,799	\$ 12,139	\$ 13,204
Services	20,886	22,465	40,975	43,594
Maintenance	30,957	28,821	61,554	56,832
Subscriptions	20,386	17,773	39,562	34,496
Other revenue	1,470	1,557	2,680	3,030
Total revenue	80,671	76,415	156,910	151,156
Cost of revenue				
Cost of license fees	975	981	1,592	1,884
Cost of services	15,837	15,512	31,753	31,721
Cost of maintenance	5,925	5,432	11,695	10,580
Cost of subscriptions	7,616	7,038	14,842	13,778
Cost of other revenue	1,333	1,533	2,450	2,811
Total cost of revenue	31,686	30,496	62,332	60,774
Gross profit	48,985	45,919	94,578	90,382
Operating expenses				
Sales and marketing	19,023	15,072	35,446	31,187
Research and development	11,710	11,301	22,619	22,762
General and administrative	6,901	8,513	15,298	17,452
Amortization	196	192	392	378
Total operating expenses	37,830	35,078	73,755	71,779
Income from operations	11,155	10,841	20,823	18,603
Interest income	23	37	43	99
Interest expense	(79)	(270)	(125)	(695)
Other income (expense), net	(185)	31	(182)	(130)
Income before provision for income taxes	10,914	10,639	20,559	17,877
Income tax provision	4,124	4,051	7,817	7,217
Net income	\$ 6,790	\$ 6,588	\$ 12,742	\$ 10,660

Earnings per share

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Basic	\$	0.16	\$	0.15	\$	0.29	\$	0.25
Diluted	\$	0.15	\$	0.15	\$	0.29	\$	0.25

Common shares and equivalents outstanding

Basic weighted average shares	43,260,625	42,577,549	43,347,630	42,531,323				
Diluted weighted average shares	44,027,307	43,333,871	44,126,259	43,141,654				
Dividends per share	\$	0.11	\$	0.10	\$	0.22	\$	0.20

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,	
	2010	2009
Cash flows from operating activities		
Net income	\$ 12,742	\$ 10,660
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,844	7,694
Provision for doubtful accounts and sales returns	702	1,285
Stock-based compensation expense	6,060	6,245
Excess tax benefits from stock based compensation	(1,040)	(464)
Deferred taxes	1,737	3,345
Other non-cash adjustments	(140)	69
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable	(12,540)	(5,655)
Prepaid expenses and other assets	1,318	1,208
Trade accounts payable	1,411	(467)
Accrued expenses and other current liabilities	(3,517)	(262)
Donor restricted cash	5,929	6,849
Donations payable	(5,929)	(6,849)
Deferred revenue	10,109	10,870
Net cash provided by operating activities	24,686	34,528
Cash flows from investing activities		
Purchase of property and equipment	(6,761)	(2,665)
Purchase of net assets of acquired companies, net of cash acquired	(390)	(2,258)
Purchase of investment	(2,000)	-
Purchase of intangible assets	(130)	-
Net cash used in investing activities	(9,281)	(4,923)