

BLACKBAUD INC
Form S-1/A
February 24, 2005

As filed with the Securities and Exchange Commission on February 22, 2005

Registration Statement No. 333-122122

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**AMENDMENT NO. 1
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Blackbaud, Inc.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

7372
*(Primary Standard Industrial
Classification Code Number)*

11-2617163
*(I.R.S. Employer
Identification No.)*

**2000 Daniel Island Drive
Charleston, South Carolina 29492
Telephone: (843) 216-6200**
*(Address, including zip code, and telephone number, including area code, of
registrant's principal executive offices)*

**Robert J. Sywolski
Chief Executive Officer
Blackbaud, Inc.
2000 Daniel Island Drive
Charleston, South Carolina 29492
Telephone: (843) 216-6200**
*(Name, address, including zip code, and telephone number, including area
code, of agent for service)*

Copies to:

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the SEC is effective. This prospectus is not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated February 22, 2005

Prospectus

10,000,000 shares

BLACKBAUD, INC.

Common stock

This prospectus relates to the offer and sale from time to time of up to an aggregate of 10,000,000 shares of our common stock for the account of the selling stockholders named in this prospectus. The selling stockholders may sell the common stock from time to time in public transactions or in privately negotiated transactions, without limitation, through any means described in the section hereof entitled **Plan of Distribution**, at market prices prevailing at the time of sale or at negotiated prices. The timing and amount of any sale are within the sole discretion of the selling stockholders.

Our common stock is listed on the Nasdaq National Market under the symbol **BLKB**. On February 18, 2005, the last reported sale price of our common stock on the Nasdaq National Market was \$11.95 per share.

You should read this prospectus and any prospectus supplement carefully before you invest. See **Where You Can Find More Information** for more information.

See **Risk factors** beginning on page 7 to read about factors you should consider before buying shares of our common stock.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

, 2005

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About this prospectus

This prospectus is part of a Registration Statement (the "Registration Statement") utilizing the "shelf" registration process that we filed with the Securities and Exchange Commission (the "SEC"), which registers the distribution of the securities offered under this prospectus. The Registration Statement, including the attached exhibits and schedules, contains additional relevant information about our company and the securities. The Registration Statement can be read at the SEC's web site (www.sec.gov) or at the offices mentioned under the heading "Where you can find more information."

Under this Registration Statement, the selling stockholders may, from time to time, sell up to 10,000,000 shares of Common Stock, including shares obtained through the exercise of warrants.

This prospectus provides you with a general description of the securities the selling stockholders may offer. Each time securities are sold, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement, together with additional information described in this prospectus under the heading "Where you can find more information."

You should rely only on the information provided in this prospectus and in any prospectus supplement. We have not authorized anyone to provide you with different information. We may only use this prospectus to sell securities if it is accompanied by a prospectus supplement. We are only offering the securities in states where offers are permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate at any date other than the date indicated on the cover page of these documents.

Unless the context otherwise requires, "we," "us," "our," and similar terms refer to Blackbaud, Inc. and its subsidiaries.

Prospectus summary

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in shares of our common stock. You should read this entire prospectus carefully, including Risk factors beginning on page 7 and our consolidated financial statements and the related notes thereto, before making an investment decision.

Blackbaud, Inc.

We are the leading global provider of software and related services designed specifically for nonprofit organizations. Our products and services enable nonprofit organizations to increase donations, reduce fundraising costs, improve communications with constituents, manage their finances and optimize internal operations. We have focused solely on the nonprofit market since our incorporation in 1982 and have developed our suite of products and services based upon our extensive knowledge of the operating challenges facing nonprofit organizations. In 2004, we had over 12,700 customers, over 12,300 of which pay us annual maintenance and support fees. Our customers operate in multiple verticals within the nonprofit market including religion, education, foundations, health and human services, arts and cultural, public and societal benefits, environment and animal welfare, and international and foreign affairs.

Industry

Nonprofit organizations are a large part of the U.S. economy, employing one out of every ten Americans. There were greater than 1.5 million registered U.S. nonprofit organizations in 2003 according to data from the Internal Revenue Service. In addition, there are greater than 1.5 million nonprofit organizations outside the United States. Donations to nonprofit organizations in the United States were \$241 billion in 2003, having increased almost every year since 1962, with a compound annual growth rate over that period of 7.8%, according to Giving USA. In addition, these organizations received fees of approximately \$600 billion in the twelve months prior to December 2003 for services they provided.

Nonprofit organizations often utilize methods of fundraising that are costly and inefficient, largely because of the difficulties in effectively collecting, sharing and using information. Fundraising and administration costs are significant, with the fundraising component alone amounting to more than \$0.24 for each dollar donated based on our market research. Furthermore, nonprofit organizations face distinct operational challenges, such as soliciting contributions from numerous contributors and complying with unique accounting, tax and reporting issues. Because of these fundraising costs and operational challenges, we believe nonprofit organizations can benefit from software applications and services specifically designed to serve their particular needs.

Our products and services

Our suite of products and services includes:

The Raiser s Edge®, a complete fundraising software solution that helps nonprofit organizations improve relationships with their donors and constituents to more effectively raise money;

The Financial Edge , a complete financial management solution that addresses the specific fund accounting needs of nonprofit organizations;

The Education Edge , a student information management software suite designed primarily for K-12 independent schools;

The Patron Edge , a comprehensive ticketing management solution that streamlines ticketing, marketing, staffing and other administrative tasks;

The Information Edge , a comprehensive business intelligence application that extracts, aggregates and analyzes data to improve strategic decision making;

ProspectPoint and **WealthPoint** , services that use custom statistical models developed by us to more effectively analyze customer databases to better target and build more productive relationships with their key constituents; and

NetCommunity and **NetSolutions** , internet applications that enable our customers to establish online communities and conduct online fundraising.

We have web-enabled most of our applications to allow our customers to access them over the Internet. We also offer a variety of Internet applications and consulting services that allow nonprofit organizations to leverage the Internet for online fundraising and other important operations. In addition, we provide a broad range of services, including implementation, business process improvement, training and education services, and maintenance and technical support to enable our customers to more effectively run their organizations.

Our strategy

Our objective is to maintain and leverage our position as the leading provider of software and related services designed specifically for nonprofit organizations. Key elements of our strategy to achieve this objective are to:

- grow our customer base;
- maintain and expand existing customer relationships;
- introduce additional products and services;
- leverage the Internet as a means of additional growth;
- expand international presence; and
- pursue strategic acquisitions and alliances.

Sales and marketing

We primarily sell our products and services to nonprofit organizations through our direct sales force. Our customers enter into license agreements and pay us an upfront license fee and annual maintenance and support fees for our software. We also receive fees, on a subscription and fixed price basis, for our hosted services and access to our data enrichment and analytical services. We sell the majority of our consulting and technical services on a time and materials basis.

Over the past three years we have added an average of 1,400 new customers per year. Our customers are located in 47 countries, primarily the United States, the United Kingdom and Canada. Ongoing customer relationships that illustrate our broad customer base include the American Red Cross, the Chesapeake Bay Foundation, the Crohn's & Colitis Foundation of

America, the Detroit Zoological Society, the Mayo Foundation, the New York Philharmonic, Seton Hall University and the United Way of America.

Recent developments

Financial results for the quarter and year ended December 31, 2004

On February 1, 2005, we announced financial results for our quarter and year ended December 31, 2004.

For the quarter ended December 31, 2004, we reported total revenue of \$35.7 million, an increase of 17% compared with the fourth quarter of 2003. License revenue increased 15% to \$6.8 million, services revenue increased 21% to \$9.9 million, and maintenance and subscriptions revenue increased 17% to \$17.6 million, over the comparable period.

Our loss from operations and net loss for the fourth quarter 2004 was \$(9.2) million and \$(4.3) million, respectively, including stock-based compensation expense of \$19.1 million. Our income from operations and a net loss for the fourth quarter of 2003 was \$914,000 and \$(129,000), respectively, including stock-based compensation expense and amortization of intangibles arising from business combinations of \$7.6 million.

Diluted loss per share was \$(0.10) for the quarter ended December 31, 2004, compared with \$(0.00) in the same period last year.

Cash from operations for the fourth quarter of 2004 was \$10.2 million, and cash from operations for the full year 2004 was \$43.5 million, up 19% on a year-over-year basis. We had cash and cash equivalents of \$42.1 million at December 31, 2004.

All of the foregoing preliminary results are subject to revision based upon completion of our year end 2004 financial statements and the related audit for such financial statements by our independent registered public accounting firm in connection with the filing of our Form 10-K for the year ended December 31, 2004. The foregoing preliminary results may be changed based upon completion of these financial statements and this audit. These changes, if any, might be material. We therefore urge you not to put undue reliance on these preliminary results.

Dividend policy

On February 1, 2005, we announced that our board of directors has adopted a dividend policy that reflects an intention to distribute to our stockholders a portion of the cash generated by our business that exceeds our operating needs and capital expenditures as regular quarterly dividends. In accordance with this dividend policy, we will pay an initial dividend of \$0.05 per share on February 28, 2005 to stockholders of record on February 14, 2005, and currently intend to continue to pay quarterly dividends at an annual rate of \$0.20 per share for the fiscal year ending December 31, 2005. Dividends will be paid only if and to the extent they are declared by our board of directors and are permitted by applicable law and by the terms of our credit facility. Based on current outstanding share numbers, dividends at this rate would total approximately \$2.1 million in cash per quarter and \$8.6 million in the aggregate for the year ending December 31, 2005. Dividend payments are not guaranteed and our board of directors may decide, in its absolute discretion, at any time and for any reason, not to declare or pay further dividends. Dividends on our common stock are not cumulative. See Dividend policy and restrictions .

Stock repurchase program

On February 1, 2005, we also announced that our board of directors has approved a stock repurchase program to purchase of up to \$35.0 million of our outstanding shares of common stock in open market or privately negotiated transactions from time to time. Any open market purchases under the repurchase program will be made in compliance with Rule 10b-18 of the Securities Exchange Act of 1934 and all other applicable securities regulations. We may choose to not purchase any shares of our common stock and our board of directors may decide, in its absolute discretion, at any time and for any reason, to terminate the stock repurchase program.

The stock repurchase program and dividend policy are intended to achieve multiple objectives, including providing value to continuing stockholders, providing an opportunity for our stockholders who wish to receive cash for their shares, establishing a capital structure that we believe is appropriate for our current business and maintaining financial flexibility and a strong balance sheet. We intend to fund the dividends and stock purchases from a combination of our existing cash balances, which totaled approximately \$42.1 million as of December 31, 2004, and anticipated future earnings.

Company information

We originally incorporated in New York in 1982 and moved our operations to Charleston, South Carolina in 1989. We reincorporated in South Carolina in December 1991, engaged in a recapitalization in October 1999 and reincorporated under the laws of the State of Delaware on July 16, 2004. Our principal executive offices are located at 2000 Daniel Island Drive, Charleston, South Carolina 29492, and our telephone number at that location is (843) 216-6200. Our web site address is www.blackbaud.com. The information contained on our web site is not a part of, and should not be construed as being incorporated by reference into, this prospectus.

Summary consolidated financial data

The following data, insofar as it relates to each of the years 1998 -2003, has been derived from annual financial statements, including the consolidated balance sheets at December 31, 2003 and 2002 and the related consolidated statements of operations, cash flows and shareholders equity (deficit) and comprehensive income for the three years ended December 31, 2003 and notes thereto appearing elsewhere herein. The consolidated financial statements for the year ended December 31, 1998 were audited by other auditors. The consolidated financial statements for the year ended December 31, 1999 were audited by Arthur Andersen LLP, which has ceased operations. The data for the nine months ended September 30, 2004 and 2003 has been derived from unaudited financial statements also appearing herein and which, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods. This summary consolidated financial data should be read together with Selected consolidated financial data , Management s discussion and analysis of financial condition and results of operations and our consolidated financial statements and related notes contained elsewhere in this prospectus. See Capitalization .

| (in thousands, except per share data) | Year ended December 31, | | | | | | Nine months ended September 30, | |
|--|-------------------------|------------------------|---------------------|-----------------|------------------|-----------------|---------------------------------|------------------|
| | 1998 ⁽²⁾⁽³⁾ | 1999 ⁽²⁾⁽³⁾ | 2000 ⁽³⁾ | 2001 | 2002 | 2003 | 2003 | 2004 |
| Consolidated statements of operations data: | | | | | | | | |
| Revenue | | | | | | | | |
| License fees | \$ 29,408 | \$ 37,938 | \$ 24,471 | \$ 19,300 | \$ 20,572 | \$ 21,339 | \$ 15,427 | \$ 18,614 |
| Services | 10,716 | 17,309 | 14,266 | 18,797 | 26,739 | 34,042 | 25,888 | 32,678 |
| Maintenance and subscriptions | 22,446 | 29,680 | 39,042 | 47,022 | 52,788 | 58,360 | 43,271 | 48,886 |
| Other revenue | 3,062 | 7,550 | 5,838 | 4,915 | 5,130 | 4,352 | 2,906 | 2,849 |
| Total revenue | 65,632 | 92,477 | 83,617 | 90,034 | 105,229 | 118,093 | 87,492 | 103,027 |
| Cost of revenue | | | | | | | | |
| Cost of license fees | 709 | 989 | 1,284 | 1,726 | 2,547 | 2,819 | 2,110 | 2,733 |
| Cost of services ⁽¹⁾ | 4,339 | 5,534 | 7,028 | 10,253 | 14,234 | 21,006 | 15,347 | 15,988 |
| Cost of maintenance and subscriptions ⁽¹⁾ | 11,443 | 15,246 | 15,120 | 11,733 | 10,588 | 11,837 | 9,031 | 7,864 |
| Cost of other revenue | 1,559 | 2,160 | 1,972 | 2,750 | 3,611 | 3,712 | 2,556 | 2,577 |
| Total cost of revenue | 18,050 | 23,929 | 25,404 | 26,462 | 30,980 | 39,374 | 29,044 | 29,162 |
| Gross profit | 47,582 | 68,548 | 58,213 | 63,572 | 74,249 | 78,719 | 58,448 | 73,865 |
| Sales and marketing | 11,337 | 13,719 | 12,326 | 15,173 | 19,173 | 21,883 | 15,991 | 20,646 |
| Research and development | 9,604 | 13,923 | 13,912 | 14,755 | 14,385 | 15,516 | 11,506 | 13,245 |
| General and administrative | 8,938 | 12,833 | 10,390 | 9,031 | 10,631 | 11,085 | 8,042 | 9,093 |
| Amortization | 2,574 | 2,510 | 2,200 | 2,239 | 1,045 | 848 | 800 | 32 |
| Cost of initial public offering | | | | | | | | 2,455 |
| Stock option compensation | | | | | | 23,691 | 17,326 | 55 |
| Total operating expenses | 32,453 | 42,985 | 38,828 | 41,198 | 45,234 | 73,023 | 53,665 | 45,526 |
| Income from operations | 15,129 | 25,563 | 19,385 | 22,374 | 29,015 | 5,696 | 4,783 | 28,339 |
| Interest income | 1,032 | 716 | 241 | 96 | 138 | 97 | 70 | 133 |
| Interest expense | (638) | (2,752) | (11,265) | (7,963) | (4,410) | (2,559) | (2,216) | (268) |
| Other income (expense), net | 6,310 | (79) | (185) | (113) | 63 | 235 | (100) | 342 |
| Income before provision for income taxes | 21,833 | 23,448 | 8,176 | 14,394 | 24,806 | 3,469 | 2,537 | 28,546 |
| Income tax provision (benefit) | 158 | (1,456) | 3,080 | 5,488 | 9,166 | 3,947 | 2,886 | 11,619 |
| Net income (loss) | \$ 21,675 | \$ 24,904 | \$ 5,096 | \$ 8,906 | \$ 15,640 | \$ (478) | \$ (349) | \$ 16,927 |

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| | | | | | | | | |
|--|-----|-----|---------|---------|---------|-----------|-----------|----------|
| Earnings (loss) per share | | | | | | | | |
| Basic | \$ | \$ | \$ 0.13 | \$ 0.21 | \$ 0.37 | \$ (0.01) | \$ (0.01) | \$ 0.40 |
| Diluted | \$ | \$ | \$ 0.13 | \$ 0.21 | \$ 0.37 | \$ (0.01) | \$ (0.01) | \$ 0.36 |
| Common shares and equivalents outstanding | | | | | | | | |
| Basic weighted average shares | N/A | N/A | 40,277 | 41,492 | 42,360 | 42,396 | 42,391 | 42,480 |
| Diluted weighted average shares | N/A | N/A | 40,277 | 41,492 | 42,360 | 42,396 | 42,391 | 46,467 |
| Summary of stock option compensation: | | | | | | | | |
| Cost of services | \$ | \$ | \$ | \$ | \$ | \$ 3,342 | \$ 2,291 | \$ (644) |
| Cost of maintenance and subscriptions | | | | | | 505 | 344 | (106) |
| Total cost of revenue | | | | | | 3,847 | 2,635 | (750) |
| Sales and marketing | | | | | | 1,817 | 1,201 | (194) |
| Research and development | | | | | | 2,341 | 1,639 | (517) |
| General and administrative | | | | | | 19,533 | 14,486 | 766 |
| Total operating expenses | | | | | | | | |