

Initiated 2026-09-28 (re-initiation; prior report `initiation-2026-09-26.md`) · Price \$42.16 (as of 2026-09-28 intraday, stockanalysis) · Mkt cap \$1.91bn (45.39mm cover shares) · Technology / vertical software for nonprofits · Model: verified

Rating: Buy — Conviction: High

Blackbaud is the incumbent fundraising and fund-accounting system for mid-to-large US nonprofits, with 98% recurring revenue and GAAP margins rising as stock compensation falls. At ~11x GAAP EBITDA and under 8x forward non-GAAP earnings, the price assumes years of share loss, while filings show revenue growth of 3–4% and GAAP operating margin up 100bp year over year. Both valuation methods sit well above the price on the base case, and the call holds at a 1pp higher discount rate.

Conviction tests (3a-v-c): T1 pass (base +39.1% at +1pp, +92.6% at -1pp) · T2 pass (Gordon +77.9%, exit +45.3%) · T3 pass · T4 pass (8-Ks since Q2 results: a board appointment only; no deal, ruling or contract event)

The rule gives High; I would call it Medium. The tests don't stress the share-loss driver, and 4x leverage turns a modest revenue break into a -64% bear case and a -89% tail.

MODEL VALUE RANGE VS PRICE



Business overview

Blackbaud sells cloud software to nonprofits, foundations, private schools and healthcare foundations. Products: Raiser's Edge NXT (donor CRM), Financial Edge (fund accounting), K-12 school management, corporate-giving tools and Blackbaud Merchant Services (donation payments). Q2 2026 revenue was \$290.6mm (+3.0%), of which \$285.3mm was recurring, and organic recurring growth was 3.3%. FY2025 revenue fell 2.3% to \$1,128.4mm after the EVERFI exit. Earnings turn on three things: renewal pricing and retention in the installed base, payment volumes (which track giving), and cost discipline. GAAP operating margin rose from 16.9% in FY2025 to 21.3% in Q2 2026, and SBC fell from \$127.8mm (FY2023) to \$92.9mm (FY2025).

Competition

Salesforce is the main threat for large nonprofits: its Nonprofit Cloud serves ~55,000 organizations. Bonterra (private) is consolidating the mid-market; per 2026 vendor guides it added OneCause (14,000 clients) in October 2025 on top of EveryAction and Network for Good. Lighter platforms (Bloomerang, Neon One, Virtuous) serve smaller charities. A 2026 vendor guide puts Blackbaud at ~40–50% of mid-to-large nonprofit CRM deployments and says 48% of nonprofits are considering a switch. These are survey estimates. Pressure would show up first in renewal pricing and large-customer losses to Salesforce. On one definition (stockanalysis, 2026-09-28), Salesforce trades at 17.0x EV/EBITDA and 16.0x forward P/E, against Blackbaud's 11.2x and 7.7x.

Bull case

- 1. **Margin expansion keeps compounding.** GAAP EBITDA margin was 24.5% in FY2025 and 27.4% in H1 2026, with SBC falling each year. Plays out if cost discipline takes GAAP EBITDA margin to the low 30s by FY2030. *Model: ebitda_margin*
- 2. **AI and payments lift growth to mid-single digits.** AI features and embedded payments raise revenue per customer. Plays out if growth moves from ~3.5% to ~6% without share loss. *Model: rev_growth*
- 3. **The multiple recovers from a trough.** EV is 10.9x FY2025 GAAP EBITDA on the model's basis. Plays out if two or three quarters of steady retention ease the disruption fear. *Model: exit_ev_ebitda, wacc*

Bear case

- 1. **Share loss to Salesforce and consolidators.** A large switching intent, an AI-native Salesforce product and a larger Bonterra could turn price increases into concessions. Plays out if growth stalls in FY2027 and turns negative from FY2028. *Model: rev_growth, exit_ev_ebitda, wacc, terminal_growth*
- 2. **Leverage magnifies any stumble.** Debt is \$1,152mm against \$34mm of cash, 4.0x FY2025 GAAP EBITDA (covenant basis 2.58x). Buybacks exceeded FCF in FY2024 and FY2025. Plays out if EBITDA falls while the April 2029 facility (\$1,086mm) nears. *Model: FY0 net debt (credit.debt), wacc*
- 3. **Margins fall back.** Holding share could require price concessions and more AI R&D. Plays out if GAAP EBITDA margin slips back toward 23%. *Model: ebitda_margin*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, aggregator (TTM, stockanalysis EBITDA)	11.2x	n/a (not retrieved this run)	Salesforce 17.0x · Tyler 30.1x · AppFolio 35.6x	stockanalysis.com, 2026-09-28
EV/EBITDA, model basis (EV \$3.03bn, no leases / FY2025 GAAP EBITDA \$277.0mm after SBC)	10.9x	n/a (not restated)	n/a (peers not restated)	10-K, 10-Q; model-inputs.json
FCF yield: company definition (FY2026 guide \$280–290mm, SBC added back) / after SBC (model Base Y1 levered FCF \$171mm)	14.9% / 8.9%	FY2025 company FCF \$203.5mm = 10.6% of today's cap	Salesforce 8.0% · Tyler 5.4% · AppFolio 3.8% (aggregator definition)	Q2 2026 release; 10-K cash flow; stockanalysis, 2026-09-28
Forward P/E (non-GAAP EPS)	7.7x	n/a (not retrieved this run)	Salesforce 16.0x · Tyler 22.6x · AppFolio 26.5x	stockanalysis.com, 2026-09-28

Model-implied value range (from model-summary.json ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$15.07 · Base \$68.14 · Bull \$115.48 per share, i.e. implied returns of –64.2% / +61.6% / +173.9% vs \$42.16. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits about midway between bear and base: the market is paying for growth that stalls, not for the reaffirmed guidance. Leverage explains the width: equity is ~63% of EV.

Re-rating. The exit method uses 10.5x, a 4% de-rating from today's 10.9x, and gives \$61.27 (+45%). That return comes from EBITDA growth and debt paydown, not re-rating. The Gordon method gives \$75.00, 22% higher, because 8.0% WACC with 2.5% terminal growth implies a higher terminal multiple. Part of the Gordon upside is therefore a re-rating.

FCF framing. The ~15% "FCF yield" people quote uses company FCF, which adds back ~\$93mm of SBC. The model treats SBC as a real cost, so its Base Y1 levered FCF is \$171mm, or 8.9%.

Tail, quantified. A harsher bear was run outside the committed model: revenue +3%, then –4% a year; GAAP EBITDA margin 26% falling to 22%; NWC –20% of revenue (shorter billing terms); 6x exit; 10% WACC; 0% terminal growth. That gives **\$4.80 (–89%)**.

Balance sheet:

- Net leverage 4.0x FY2025 GAAP EBITDA (covenant basis 2.58x at Q2); coverage 4.3x. On the Base path, net leverage falls to 3.1x by FY2027.
- Liquidity: \$34.4mm of cash plus undrawn capacity under the \$1.5bn facility (revolver size not verified). Restricted cash (customer funds) excluded.
- Nearest material maturity: the April 2029 facility (\$326mm revolver at 5.91% and \$760mm term loans at 5.46%), with \$800mm swapped to fixed until February 2029.
- Ratings: n/a (unverified).

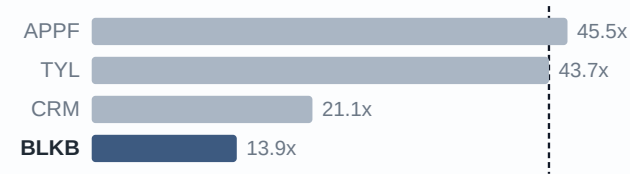
Model note:

- Tier `full` , status `built` , verification `verified` (LibreOffice matched all 3,207 formula cells). Scenario consistency is `OK` on all 14 rows. There are no unverified inputs and no assumptions without a basis.
- Every historical series comes from the FY2025 10-K statements or EDGAR `companyconcept` .
- EBITDA is GAAP operating income plus cash-flow D&A. FY2024 adds back the \$405.4mm EVERFI disposition charge. FY2023's \$155.8mm is as filed and includes that year's security-incident costs.
- These corrections replace the 09-26 aggregator estimates: FY2025 EBITDA \$280.5mm → \$277.0mm, and FY2023 \$217.1mm → \$155.8mm.
- Base Y1 EPS of \$3.09 is GAAP and after SBC. The \$5.15–5.25 guide is non-GAAP, so they will not match.

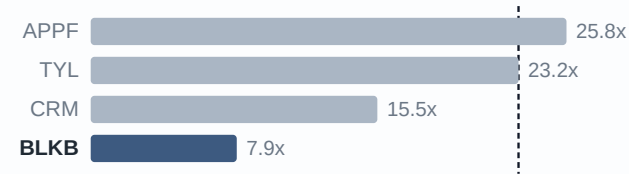
RELATIVE VALUE VS PEERS

Metric	BLKB	CRM	TYL	APPF	Peer median	vs median
P/E (TTM)	13.9x	21.1x	43.7x	45.5x	43.7x	−68%
P/E (forward)	7.9x	15.5x	23.2x	25.8x	23.2x	−66%
PEG	n/a	0.9x	1.5x	1.1x	1.1x	
EV/EBITDA (TTM)	11.7x	17.0x	30.6x	35.0x	30.6x	−62%
EV/Sales (TTM)	2.7x	5.0x	5.8x	6.5x	5.8x	−53%
P/B	30.0x	4.9x	4.5x	13.3x	4.9x	+513%
FCF yield	16.4%	8.0%	5.3%	3.9%	5.3%	+11.2pp
EV/FCF (TTM)	9.5x	14.5x	19.7x	25.2x	19.7x	−52%

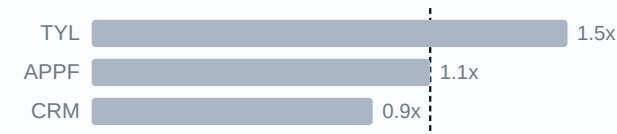
P/E (TTM)



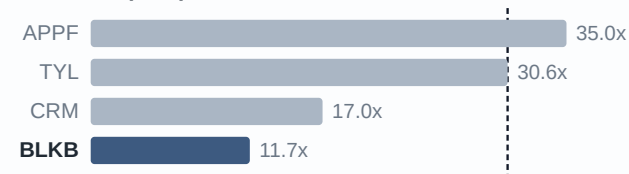
P/E (forward)



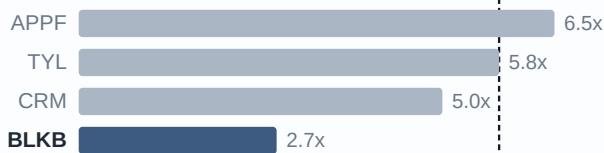
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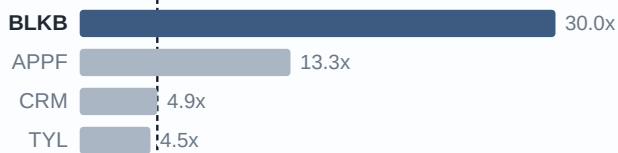
EV/EBITDA (TTM)



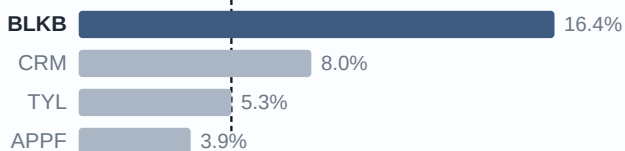
EV/Sales (TTM)



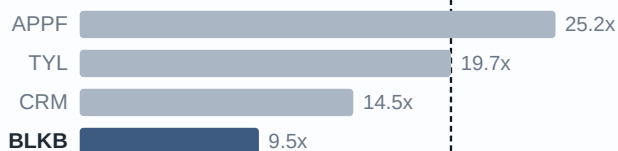
P/B



FCF yield



EV/FCF (TTM)



As of 2026-10-09. One source and one definition for every company: aggregator TTM and consensus-forward multiples, lease-inclusive EV. Not the model's own EV basis (see the report's valuation table). Quotes taken 11:40-11:58 ET on 2026-10-09 with the market open, so multiples reflect intraday prices. Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-09.

Notes. No PEG on the source for Blackbaud; blank, not computed. Blackbaud's P/B (30x) is inflated by a small equity base after buybacks and debt.

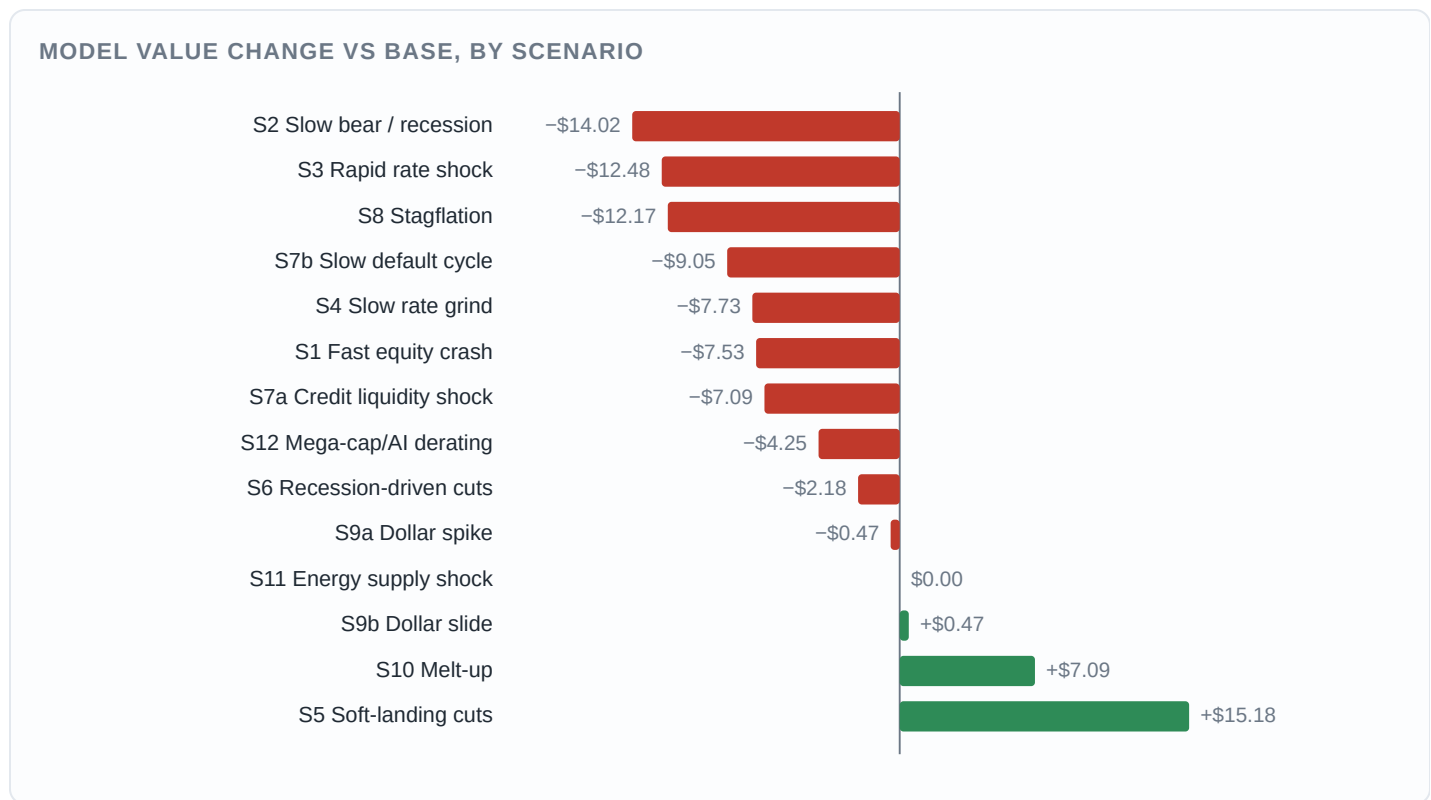
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	-	Levered small-cap de-rates; donor wealth falls, trimming payment volumes	Med	-\$7.53
S2 Slow bear / recession	-	Giving falls; nonprofits delay upgrades and cut seats; payment volumes drop. Much smaller than Base – Bear (\$53.07) on purpose: a recession is transitory, while the bear case is permanent share loss	High	-\$14.02
S3 Rapid rate shock	-	Discount rate rises; ~\$350mm of unswapped floating debt reprices	High	-\$12.48
S4 Slow rate grind	-	Same channel, grinding	Med	-\$7.73
S5 Soft-landing cuts	+	Lower discount rate and cheaper floating debt; giving holds up	High	+\$15.18
S6 Recession-driven cuts	-	Lower giving outweighs the lower discount rate	Low	-\$2.18
S7a Credit liquidity shock	-	Levered equity sells off; no maturity until 2029	Med	-\$7.09
S7b Slow default cycle	-	Leveraged-loan repricing raises the cost of refinancing the 2029 facility and the equity risk premium	Med	-\$9.05
S8 Stagflation	-	Higher discount rate; real giving falls; wage inflation	High	-\$12.17
S9a Dollar spike	-	Small UK, Canada and Australia revenue translates lower	Low	-\$0.47
S9b Dollar slide	+	Mirror of S9a	Low	+\$0.47
S10 Melt-up	+	Momentum lifts de-rated small-cap software	Med	+\$7.09

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S11 Energy supply shock	0	No material effect, not modeled	Low	\$0.00
S12 Mega-cap/AI derating	-	Software multiples compress in sympathy with an AI unwind	Low	-\$4.25

Currently active/on watch per the playbook: `state.md` lists S3 as partially active, and the macro log records all three S3 legs crossed from 2026-09-24 (10Y 5.17% on 09-25). S8, S10 and S11 are on watch. S3 and S8 are High rows here.



What would change the call

Upgrades (conviction) if:

- Organic recurring growth reaches 4%+ with GAAP operating margin still rising; or
- Covenant net leverage falls below 2x while buybacks continue.

Downgrades if:

- Organic recurring growth falls below 2%, or management discloses rising customer losses to Salesforce or Bonterra; or
- Buybacks keep outrunning FCF and debt rises; or
- The 2029 facility isn't refinanced by mid-2028.

Watch items

- W1:** Q3 2026 revenue and organic recurring growth. Test: H2 needs ~4.8% growth to reach the FY2026 guide midpoint (\$1,176mm); organic recurring was 3.3% in Q2. Source: Q3 2026 release, late October 2026. *Model: rev_growth*

- **W2:** GAAP operating margin and SBC. Q2 margin was 21.3%; H1 GAAP EBITDA margin was 27.4%. Source: Q3 2026 release. *Model: ebitda_margin*
- **W3:** Debt and covenant net leverage after buybacks. Q2: \$1,152mm and 2.58x. Source: Q3 2026 10-Q. *Model: none*
- **W4:** FY2027 guidance for revenue, adjusted EBITDA and FCF. Source: Q4 2026 release, February 2027. *Model: rev_growth, ebitda_margin*

Sources

- SEC EDGAR XBRL companyconcept, RevenueFromContractWithCustomerExcludingAssessedTax and OperatingIncomeLoss (CIK 1280058) — <https://data.sec.gov/api/xbrl/companyconcept/CIK0001280058/us-gaap/RevenueFromContractWithCustomerExcludingAssessedTax.json> · <https://data.sec.gov/api/xbrl/companyconcept/CIK0001280058/us-gaap/OperatingIncomeLoss.json> — accessed 2026-09-28
 - Blackbaud FY2025 Form 10-K (filed 2026-02-18): balance sheet, income statement, cash flow — <https://www.sec.gov/Archives/edgar/data/1280058/000128005826000006/R3.htm> · .../R5.htm · .../R6.htm — accessed 2026-09-28
 - Blackbaud Q2 2026 results and guidance (8-K ex. 99.1, 2026-07-29) — <https://www.sec.gov/Archives/edgar/data/0001280058/000128005826000022/blkq22026exhibit991.htm> — accessed 2026-09-28
 - Blackbaud Form 10-Q, quarter ended 2026-06-30 (debt note, swaps, covenant leverage, cover shares, tax rate) — <https://www.sec.gov/Archives/edgar/data/0001280058/000128005826000025/blk-20260630.htm> — accessed 2026-09-28
 - SEC 8-K filing list and 8-K dated 2026-08-05 (board appointment) — <https://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001280058&type=8-K> · <https://www.sec.gov/Archives/edgar/data/1280058/000128005826000027/blk-20260805.htm> — accessed 2026-09-28
 - Blackbaud statistics — <https://stockanalysis.com/stocks/blk/statistics/> — accessed 2026-09-28
 - Peer statistics: Salesforce <https://stockanalysis.com/stocks/crm/statistics/> · Tyler <https://stockanalysis.com/stocks/tyl/statistics/> · AppFolio <https://stockanalysis.com/stocks/appf/statistics/> — accessed 2026-09-28
 - The \$846M Nonprofit CRM Market: Who's Winning (GrantPipe vendor guide) — <https://grantpipe.com/resources/guides/nonprofit-crm-market-2026/> — accessed 2026-09-28
 - Daily macro log (10Y, S3 status), [logs/macro-2026-09.md](#), 2026-09-24 and 2026-09-25 entries
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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.