

Nonprofit Technology Market

Raymond James | Winter 2023

Leading nonprofit technology sellside franchise

Network  **for Good**

has been acquired by

 **Bonterra**

CyberGrants 

has been acquired by

Apax


yourmembership

has been acquired by


Riverside

FULLSTEAM 

has received an investment from

6 | SIXTH STREET

 **AFFINIPAY**

has been acquired by

 **TA ASSOCIATES**

EngageSmart

has been acquired by

 **GENERAL ATLANTIC**

VANCO

has been acquired by

Great Hill
PARTNERS

 **WebLink**

has been acquired by

 **MemberClicks**

Introduction

Market overview and macro trends affecting nonprofits and the NPO technology landscape



Large, highly fragmented market

- **20B+** Software market
- **Highly fragmented vendor landscape** - large majority comprised of SMBs
- **Blackbaud**, largest vendor, claims **<10% market share**
- **1M+ NPOs** operating on less than \$1M per year



Early stages of cloud SaaS adoption

- Modern software solutions help NPOs **better manage donors, fundraising and operations**
- **93% of NPOs** cite lack of IT resources responsible for slow tech adoption
- **60%+ of NPOs** are planning to invest in new tech this year
- **79% of NPOs** expect to implement widespread usage of AI technology in the next three years



Macro trends driving the need for nonprofit technology

- **NPOs face numerous challenges** in today's environment
- Heightened demand for **digital and mobile giving solutions**
- **Data and analytics** tech is bringing NPOs deeper insights into their orgs

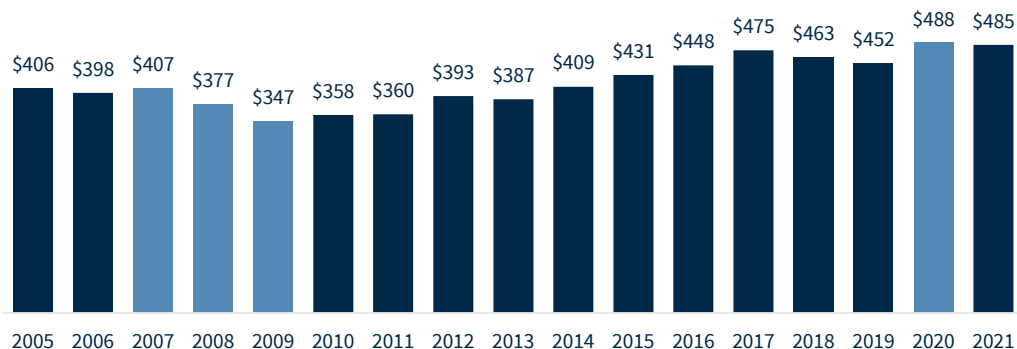
Total available market: donations and charitable giving

Charitable giving overview

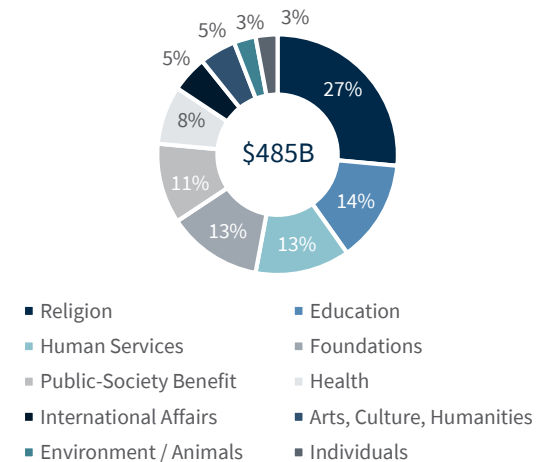
- In 2021, total charitable giving contracted slightly by 0.7% YoY in the US ⁽¹⁾
- Giving by corporations saw the largest increase, growing by over 18%
- Nearly 30% of all contributions were to religious organizations
- Education received ~14% of all contributions and the largest average gift size
- Individuals continue to provide the majority of contributions, totaling more than \$326B, or ~70% of all contributions

Total charitable dollars, in \$ billions ⁽²⁾

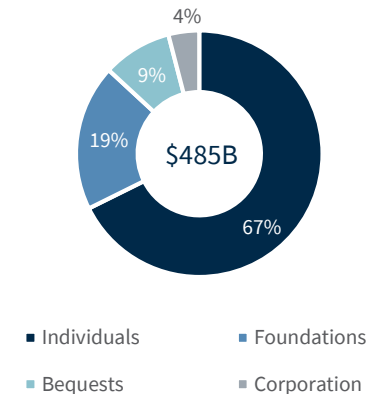
Inflation-adjusted dollars
 Inflation-adjusted dollars in recession



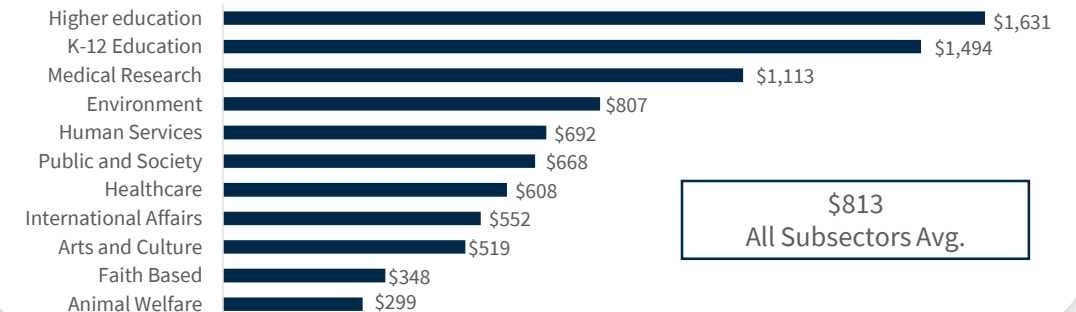
Giving, by segment ⁽²⁾



Giving, by source ⁽²⁾



Average Gift, by segment ⁽³⁾



1) Represents inflation-adjusted dollars.

2) Giving USA, 2022 Annual Report on Philanthropy.

3) Blackbaud, 2022 Charitable Giving Report.

Total available market: nonprofit budget and current market forces



Overview and current nonprofit budgetary considerations

Overview

- 66% of nonprofits operate with less than \$1M / annum and account for 2% of overall spend
- Donor/ relationship management and fundraising / payment services remain highest spend category

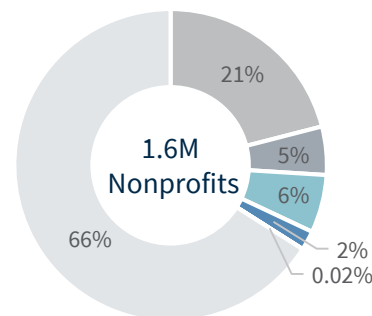
Recession / Labor Shortage

- While recessionary periods typically see a decline in donations, a recent survey⁽²⁾ conducted on how COVID-19 would impact donor's decisions show 25% of donors plan to increase their donations and another 54% of donors plan to maintain their giving levels to help fight the pandemic's effects
- As with many industries, nonprofits are feeling the effects of a tight labor market, which has pushed them to increase their adoption of technological solutions, driving higher demand for such solutions

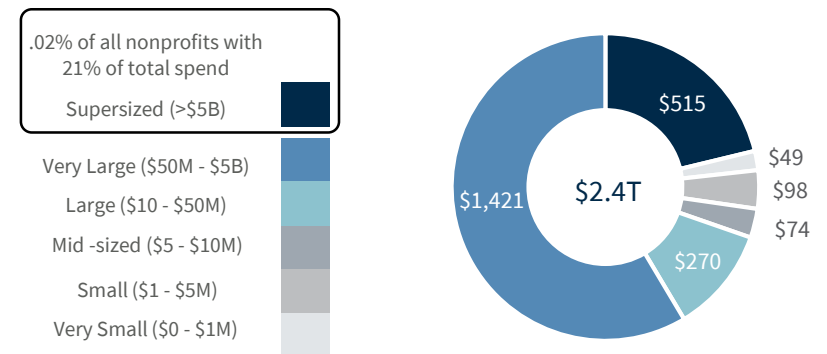
Donor Managed Funds

- In addition to fighting amongst themselves for charitable dollars, nonprofits are losing direct donations to tax incentive based mega-funds, such as Fidelity Charitable - these funds are growing quickly in assets, but not distributing nearly as fast as they are receiving; therefore, slowing the flow of funds to nonprofits

Distribution of nonprofits by budget size⁽³⁾



Nonprofit total spend by budget size (\$ billions)⁽³⁾



1) Blackbaud, Q1 2022 Investor Presentation.

2) Fidelitycharitable.org, Covid-19 and Philanthropy.

3) Guidestar, The Financial Health of the US Nonprofit Sector.

Challenges facing nonprofit organizations

Uncertainty



- COVID-19 has introduced tremendous uncertainty for the nonprofit community. Even before COVID, 70% of nonprofits saw variability in funding as their top challenge for 2020 & 2021
- In most cases, charitable giving increased in 2020 as people continue to rally to support their neighbors, communities and charitable causes in the face of crisis
- There is significant uncertainty around the retention of first-time contributors and the ability of past donors to continue their support if facing personal financial hardship
- 63% of all nonprofits maintain 6 months or less of operating reserves

Increased demand and competition



- 49% of nonprofits report an increase in the desire to seek partnerships with other NPOs for media and awareness reasons
- 75% of nonprofits reported an increase in demand for programs in the last year
- Large imminent demand has left many nonprofits fighting for resources and struggling to connect people with their cause

Shifting landscapes



- Many nonprofits have been forced to adapt from in-person to virtual events and further adaptation will be needed for hybrid events
- Gen Z represents a potentially fruitful giving base, but comes with challenges on how to reach and retain
- Social platforms including Facebook, Instagram, LinkedIn etc. will be increasingly important to engage new and existing donors

Technology adoption



- Over 60% of nonprofits are planning to invest in new technologies in the next year
- 93% of NPOs state lack of IT or technical staff is a challenge in their organization's adoption of new technologies
- 85% of nonprofits said that technology was key to their success as an organization, but 75% reported that measuring and reporting data was still a challenge

Nonprofit technology priorities

Current trends in nonprofit organization driving technology adoption

Challenges / considerations



93%

Feel lack of tech staff slows adoption



64%

Plan to invest in new tech this year



51%

View cybersecurity as a challenge



28%

Of donations are done online



42%

Three-year increase in online giving



64%

Retention rate for multi-year online only donors

Technology priorities for nonprofit organizations



Adoption of cloud software

Replacing legacy systems with a modern cloud platform to gain access to better data, insights and streamline organizational processes



AI and data analytics

Implementing tools to have real-time insights into their donor's activity in order to engage donors more effectively and efficiently



Deliver an enhanced experience

Offering personalized donor experiences to improve engagement and insights into the activity of the nonprofit providing a greater, longer lasting donor/NPO relationship



Mobile donation enablement

Continued transition to Omni-channel marketing and mobile preparedness with developing mobile-friendly websites, emails and donation / payment forms



Expanding social media presence

Social media and the power of "sharing" content online continues to be important in giving, with many sites offering tools for tracking engagement and campaigns



Security

NPOs have access to high volumes of sensitive information from donors and are expected to encounter cyber threats

Nonprofit and impact technology vendor landscape














































Note – the current landscape includes companies of relative scale, hundreds of other smaller point solutions exist.
















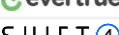






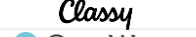



























[] Captive subsidiary.

Notable M&A and financings transactions

Notable recent investments in NPO tech

Date	Target	Lead Investor	Description	Amount (\$M)
Oct 2022	 Givinga	Not Disclosed	CSR / workplace giving	\$5
Oct 2022	 Resilia	 PANORAMIC VENTURES	ERP / back-office	35
Sep 2022	 GIVECAMPUS	 SILVERSMITH CAPITAL PARTNERS	Fundraising / donor management	50
Jul 2022	 Givebutter	Consortium	Fundraising / donor management	7
Jun 2022	 Submittable	 AKKR	Grant management	47
Jun 2022	 funraise	 Toba Capital	Fundraising / donor management	10
Feb 2022	 Vee	 SOMV STATE OF MIND VENTURES	Event / volunteer management	12
Jan 2022	 WEBCONNEX	 GreyLion Capital	Event / volunteer management	ND
Dec 2021	 iDonate	 MISSIONOG	Fundraising / donor management	16
Dec 2021	 FULLSTEAM	 SIXTH STREET GROWTH	Association / member mgmt.	ND
Dec 2021	 deed	 EARLYBIRD	CSR / workplace giving	10
Mar 2021	 Classy	NORWEST	Fundraising / donor management	117
Mar 2021	 WINDFALL	En Pointe	Data, analytics & infrastructure	21
Dec 2020	 benevity	 Hg	CSR / workplace giving	70
Sep 2020	 bloomerang	 JMI	Fundraising / donor management	ND
Sep 2020	 asi ADVANCED SOLUTIONS INTERNATIONAL	 BROOKLINE EQUITY PARTNERS	Association / member mgmt.	35
Apr 2020	 AmpliFund	Not Disclosed	Grant management	5
Feb 2020	 iDonate	 PERFORMANCE EDGE	Fundraising / donor management	9
Jan 2020	 gravity	 INSIGHT PARTNERS	Fundraising / donor management	21
Jan 2020	 hivebrite	 INSIGHT PARTNERS	Association / member mgmt.	20
Jan 2020	 Feathr	 FULCRUM	Digital services / marketing	12
Nov 2019	 Network for Good	 Boathouse	Fundraising / donor management	11
Oct 2019	 benevity	 GENERAL ATLANTIC	CSR / workplace giving	30
Oct 2019	 GiveGab	 CV	Fundraising / donor management	9

Mergers & acquisitions

Date	Target	Buyer	Description	Implied EV (\$M)
Jan 2022	 STELLAR TECHNOLOGY SOLUTIONS, LLC	 Ren	ERP / back-office	ND
Nov 2022	 FABRIK	 gravity	Fundraising / donor management	ND
Oct 2022	 iWAVE	 INCLINE	Digital services / marketing	ND
Oct 2022	 IP Pushpay	 SIXTH STREET	Payments / tithing	\$930
Aug 2022	 kilter	 blackbaud	Fundraising / donor management	ND
Aug 2022	 RKD GROUP	 INCLINE	Fundraising / donor management	ND
Aug 2022	 fundriver	 evertrue	ERP / back-office	ND
Jun 2022	 pledgemine	 evertrue	Digital services / marketing	ND
Mar 2022	 SOLUS GROUP	 evertrue	Data, analytics & infrastructure	ND
Mar 2022	 Giving Block	 SHIFT 4	Payments / tithing	54
Feb 2022	 apos	 ASG	ERP / back-office	ND
Jan 2022	 Network for Good	 Bonterra	Fundraising / donor management	ND
Jan 2022	 Blue Sky	 McCarthy Capital	Association / member mgmt	ND
Jan 2022	 Classy	 gofundme	Fundraising / donor management	ND
Jan 2022	 OpenWater	 asi ADVANCED SOLUTIONS INTERNATIONAL	Association / member mgmt	ND
Jan 2022	 EVERFI	 blackbaud	CSR / workplace giving	744
Dec 2021	 gravity	 graduway	Fundraising / donor management	ND
Dec 2021	 Alaya	 benevity	CSR / workplace giving	ND
Nov 2021	 CaseWorthy	 STG	Case management	ND
Nov 2021	 Bright Funds	 wizehive	CSR / workplace giving	ND
Nov 2021	 PROTECH	 TOGETHER WORK	Association / member mgmt.	ND
Nov 2021	 Ministry Brands	 RCP RENAISSANCE CAPITAL PARTNERS	Consolidator	ND
Oct 2021	 evertrue	 thankview	Fundraising / donor management	ND
Sep 2021	 LUMAVERSE	 L CAPITAL PARTNERS	Event / volunteer management	ND
Aug 2021	 Social Solutions	 Apax	Case management	ND
Aug 2021	everyaction	Apax	Fundraising / donor management	ND

Source: Proprietary market information, Pitchbook, CapIQ, Crunchbase and publicly available sources.

(1) Funding amounts reflective of publicly available data of which some transactions are not disclosed.