



Statements of Income

(Unaudited; in thousands, except per share data)

	2016					2017					2018		
	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3
Revenues [^]	\$ 45,575	\$ 47,403	\$ 49,183	\$ 50,992	\$ 193,153	\$ 51,879	\$ 54,092	\$ 56,057	\$ 58,057	\$ 220,085	\$ 59,092	\$ 61,091	\$ 62,868
Cost of revenues	14,881	15,972	16,171	17,322	64,346	17,330	18,191	18,645	19,459	73,625	19,758	20,402	20,411
Gross profit	30,694	31,431	33,012	33,670	128,807	34,549	35,901	37,412	38,598	146,460	39,334	40,689	42,457
Operating expenses													
Sales and marketing [^]	16,393	17,567	16,749	16,167	66,876	17,023	18,320	17,638	18,280	71,261	18,647	18,424	16,952
Research and development	5,069	5,542	5,574	5,796	21,981	5,105	5,369	6,549	6,160	23,183	5,132	5,293	5,146
General and administrative	7,285	7,082	7,149	7,311	28,827	7,827	8,139	8,743	12,752	37,461	10,130	9,974	11,174
Amortization of intangible assets	1,161	1,198	1,194	1,185	4,738	1,215	1,117	1,128	1,114	4,574	1,125	1,033	928
Total operating expenses	29,908	31,389	30,666	30,459	122,422	31,170	32,945	34,058	38,306	136,479	35,034	34,724	34,200
Income from operations	786	42	2,346	3,211	6,385	3,379	2,956	3,354	292	9,981	4,300	5,965	8,257
Other income (expense)													
Interest income, net	145	151	112	193	601	191	242	272	328	1,032	414	547	628
Other income (expense)	293	(374)	947	(134)	732	(60)	(102)	(195)	36	(320)	(154)	(168)	(219)
Total other income (expense), net	438	(223)	1,059	59	1,333	131	140	77	364	712	260	379	409
Income (loss) before income taxes [^]	1,224	(181)	3,405	3,270	7,718	3,510	3,096	3,431	656	10,693	4,560	6,344	8,666
Income tax expense [^]	503	(27)	1,130	1,149	2,755	525	1,128	1,255	7,434	10,342	1,306	928	605
Net income (loss) [^]	\$ 721	\$ (154)	\$ 2,275	\$ 2,121	\$ 4,963	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061
Net income (loss) per share													
Basic	\$ 0.04	\$ (0.01)	\$ 0.13	\$ 0.12	\$ 0.29	\$ 0.17	\$ 0.11	\$ 0.13	\$ (0.40)	\$ 0.02	\$ 0.19	\$ 0.32	\$ 0.47
Diluted	\$ 0.04	\$ (0.01)	\$ 0.13	\$ 0.12	\$ 0.29	\$ 0.17	\$ 0.11	\$ 0.13	\$ (0.40)	\$ 0.02	\$ 0.19	\$ 0.31	\$ 0.45
Shares used to compute Net income (loss) per share													
Basic	16,783	16,909	17,001	17,050	16,947	17,154	17,198	17,223	17,157	17,183	17,093	17,163	17,219
Diluted	17,029	17,120	17,341	17,366	17,241	17,393	17,378	17,410	17,157	17,183	17,307	17,549	17,741

[^] Due to the adoption of new accounting pronouncements, this amount has been adjusted from the amount originally reported. See reconciliation of adjustments on subsequent pages.



Balance Sheets

(Unaudited, in thousands)

	2016	2017				2018		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Assets								
Current assets								
Cash and cash equivalents	\$ 115,877	\$ 128,707	\$ 131,744	\$ 128,984	\$ 123,127	\$ 120,547	\$ 125,385	\$ 144,748
Short-term investments	23,076	25,550	26,896	34,869	40,192	45,272	47,352	44,654
Accounts receivable, net	20,746	22,683	21,545	24,175	24,897	25,948	28,171	27,289
Deferred costs ^	23,242	24,298	25,586	27,028	29,966	31,318	32,216	33,134
Other current assets	7,010	6,992	6,955	5,853	6,149	5,696	6,762	6,613
Total current assets	<u>189,951</u>	<u>208,230</u>	<u>212,726</u>	<u>220,909</u>	<u>224,331</u>	<u>228,781</u>	<u>239,886</u>	<u>256,438</u>
Property and equipment, net	15,314	15,066	15,527	15,616	16,856	17,304	18,136	19,368
Goodwill	49,777	50,289	50,766	51,783	51,613	51,030	50,403	50,502
Intangible assets, net	19,788	19,389	18,484	17,720	16,529	15,577	14,354	13,491
Investments	7,494	2,503	4,997	2,491	5,206	2,471	4,922	4,921
Deferred costs^	8,875	9,163	9,746	10,282	9,967	10,239	10,328	10,597
Deferred income tax asset^	7,354	23,327	22,357	21,264	13,697	12,596	12,061	11,433
Other assets	1,527	1,372	1,098	1,101	1,539	1,598	1,583	1,710
Total assets	<u>\$ 300,080</u>	<u>\$ 329,339</u>	<u>\$ 335,701</u>	<u>\$ 341,166</u>	<u>\$ 339,738</u>	<u>\$ 339,596</u>	<u>\$ 351,673</u>	<u>\$ 368,460</u>
Liabilities & Stockholders' Equity								
Current liabilities								
Accounts payable	\$ 2,302	\$ 3,580	\$ 2,720	\$ 3,089	\$ 4,463	\$ 3,472	\$ 3,709	\$ 3,853
Accrued compensation ^	13,851	12,022	13,066	12,416	15,228	11,617	14,347	15,498
Accrued expenses & other current liabilities	5,064	5,963	5,329	5,646	6,391	5,424	6,131	5,375
Deferred revenue ^	12,375	17,282	18,113	17,561	17,863	21,583	24,191	24,948
Total current liabilities	<u>33,592</u>	<u>38,847</u>	<u>39,228</u>	<u>38,712</u>	<u>43,945</u>	<u>42,096</u>	<u>48,378</u>	<u>49,674</u>
Deferred revenue^	2,631	2,765	2,910	2,715	2,731	2,691	2,640	2,685
Other liabilities	4,179	3,912	3,899	3,498	3,064	4,690	4,290	3,979
Deferred income tax liability	1,911	1,895	1,977	2,100	1,887	1,768	1,676	1,551
Total liabilities	<u>42,313</u>	<u>47,419</u>	<u>48,014</u>	<u>47,025</u>	<u>51,627</u>	<u>51,245</u>	<u>56,984</u>	<u>57,889</u>
Stockholders' equity								
Common stock	17	17	17	17	17	17	17	18
Treasury stock	-	-	-	-	(5,815)	(11,686)	(17,684)	(19,682)
Additional paid-in capital	286,315	289,652	292,533	294,943	301,863	305,759	313,887	323,539
Retained earnings (accumulated deficit) ^	(25,239)	(5,976)	(4,008)	(1,832)	(8,611)	(5,357)	59	8,120
Accumulated other comprehensive income (loss)	(3,326)	(1,773)	(855)	1,013	657	(382)	(1,590)	(1,424)
Total stockholders' equity	<u>257,767</u>	<u>281,920</u>	<u>287,687</u>	<u>294,141</u>	<u>288,111</u>	<u>288,351</u>	<u>294,689</u>	<u>310,571</u>
Total liabilities and stockholders' equity	<u>\$ 300,080</u>	<u>\$ 329,339</u>	<u>\$ 335,701</u>	<u>\$ 341,166</u>	<u>\$ 339,738</u>	<u>\$ 339,596</u>	<u>\$ 351,673</u>	<u>\$ 368,460</u>

^ Due to the adoption of new accounting pronouncements, this amount has been adjusted from the amount originally reported. See reconciliation of adjustments on subsequent pages.



Statements of Cash Flows

(Unaudited; amounts in thousands)

	2016	2017					2018		
	YR	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3
Cash flows from operating activities									
Net income (loss) ^	\$ 4,963	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061
Reconciliation of net income to net cash provided by operating activities									
Deferred income taxes ^	(2,083)	299	1,012	929	7,376	9,616	1,020	478	436
Share based earn-out liability	(1,103)	-	-	-	-	-	-	-	-
Depreciation and amortization	6,598	1,691	1,740	1,830	1,947	7,208	2,083	2,093	2,132
Amortization of intangible assets	4,738	1,215	1,117	1,128	1,114	4,574	1,125	1,033	928
Provision for doubtful accounts	1,375	332	541	492	340	1,705	410	575	795
Stock-based compensation	8,023	2,300	2,186	2,347	5,895	12,728	3,533	3,179	3,266
Other, net	-	(25)	34	(28)	4	(15)	(32)	(179)	(44)
Changes in assets and liabilities									
Accounts receivable	(3,735)	(2,201)	594	(2,869)	(1,110)	(5,586)	(1,520)	(2,853)	94
Deferred costs ^	(4,085)	(1,343)	(1,870)	(1,975)	(2,625)	(7,813)	(1,628)	(993)	(1,192)
Other current and non-current assets	(1,911)	180	(183)	1,138	(742)	393	367	(1,077)	29
Accounts payable	(382)	1,169	(974)	437	200	832	317	(128)	193
Accrued compensation ^	2,291	(1,870)	1,035	(682)	2,821	1,304	(3,939)	2,475	872
Accrued expenses	990	945	(739)	263	723	1,192	(592)	654	(780)
Deferred revenue ^	2,852	5,041	976	(747)	318	5,588	3,680	2,557	802
Deferred rent	234	(319)	70	(373)	(405)	(1,027)	1,271	(332)	(292)
Net cash provided by operating activities	18,765	10,399	7,507	4,066	9,078	31,050	9,349	12,898	15,300
Cash flows from investing activities									
Purchases of property and equipment	(8,008)	(1,299)	(2,035)	(1,908)	(2,029)	(7,271)	(3,884)	(2,597)	(3,394)
Purchases of investments	(23,135)	(4,995)	(17,355)	(7,469)	(18,059)	(47,878)	(19,927)	(32,189)	(12,318)
Maturities of investments	15,018	7,500	13,500	2,029	10,000	33,029	17,500	27,500	15,000
Acquisitions of businesses and intangible assets, net	(18,032)	(500)	-	-	-	(500)	(381)	-	-
Net cash provided by (used in) investing activities	(34,157)	706	(5,890)	(7,348)	(10,088)	(22,620)	(6,692)	(7,286)	(712)
Cash flows from financing activities									
Repurchases of common stock	-	-	-	-	(5,815)	(5,815)	(5,871)	(5,998)	(1,998)
Proceeds from exercise of stock options & employee stock purchase plan	6,035	1,037	1,218	63	1,025	3,343	715	5,241	6,680
Excess tax benefit from exercise of stock options	4,070	-	-	-	-	-	-	-	-
Net cash (used in) provided by financing activities	10,105	1,037	1,218	63	(4,790)	(2,472)	(5,156)	(757)	4,682
Effect of foreign currency exchange rate changes	(374)	688	202	459	(57)	1,292	(81)	(17)	93
Net (decrease) increase in cash and cash equivalents	(5,661)	12,830	3,037	(2,760)	(5,857)	7,250	(2,580)	4,838	19,363
Cash and cash equivalents at beginning of period	121,538	115,877	128,707	131,744	128,984	115,877	123,127	120,547	125,385
Cash and cash equivalents at end of period	\$ 115,877	\$ 128,707	\$ 131,744	\$ 128,984	\$ 123,127	\$ 123,127	\$ 120,547	\$ 125,385	\$ 144,748

^ Due to the adoption of new accounting pronouncements, this amount has been adjusted from the amount originally reported. See reconciliation of adjustments on subsequent pages.



Supplemental Financial Data **

(Unaudited)

	2016					2017					2018		
	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3
Revenues (in thousands) ^	\$ 45,575	\$ 47,403	\$ 49,183	\$ 50,992	\$ 193,153	\$ 51,879	\$ 54,092	\$ 56,057	\$ 58,057	\$ 220,085	\$ 59,092	\$ 61,091	\$ 62,868
% change (year over year) *						14%	14%	14%	14%	14%	14%	13%	12%
Percentage recurring revenues of total revenues *	91%	91%	92%	92%	92%	92%	93%	93%	93%	93%	93%	92%	93%
Recurring revenue customers	23,817	24,186	24,583	24,805	24,805	25,001	25,153	25,359	25,751	25,751	25,888	26,212	26,869
% change (year over year)	6%	6%	6%	6%	6%	5%	4%	3%	4%	4%	4%	4%	6%
Average recurring revenues per recurring revenue customer (quarterly amounts are annualized)	\$ 7,053	\$ 7,223	\$ 7,399	\$ 7,610	\$ 7,344	\$ 7,707	\$ 7,993	\$ 8,219	\$ 8,441	\$ 8,067	\$ 8,499	\$ 8,665	\$ 8,838
% change (year over year)	17%	16%	15%	15%	16%	9%	11%	11%	11%	10%	10%	8%	8%
Adjusted EBITDA (in thousands)													
Net income (loss) ^	\$ 721	\$ (154)	\$ 2,275	\$ 2,121	\$ 4,963	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061
Depreciation and amortization	2,787	2,831	2,818	2,900	11,336	2,906	2,857	2,958	3,061	11,782	3,208	2,093	2,132
Interest (income) expense, net	(145)	(151)	(112)	(193)	(601)	(191)	(242)	(272)	(328)	(1,032)	(414)	486	300
Income tax expense ^	503	(27)	1,130	1,149	2,755	525	1,128	1,255	7,434	10,342	1,306	928	605
Stock-based compensation expense	1,927	2,065	2,012	2,019	8,023	2,300	2,186	2,347	5,894	12,727	3,533	3,179	3,266
Other	(365)	293	(1,034)	-	(1,106)	-	-	-	-	-	-	-	-
Adjusted EBITDA *	\$ 5,428	\$ 4,857	\$ 7,089	\$ 7,996	\$ 25,370	\$ 8,525	\$ 7,897	\$ 8,464	\$ 9,283	\$ 34,170	\$ 10,887	\$ 12,102	\$ 14,364
Stock-based compensation expense (in thousands) included in													
Cost of revenues	\$ 280	\$ 317	\$ 319	\$ 393	\$ 1,309	\$ 451	\$ 469	\$ 494	\$ 473	\$ 1,887	\$ 548	\$ 504	\$ 535
Sales and marketing	654	639	620	499	2,412	517	574	565	541	2,197	653	710	691
Research and development	138	141	143	196	618	229	228	241	251	949	329	357	287
General and administrative	855	968	930	931	3,684	1,103	915	1,047	4,629	7,694	2,003	1,608	1,753
Total stock-based compensation expense	\$ 1,927	\$ 2,065	\$ 2,012	\$ 2,019	\$ 8,023	\$ 2,300	\$ 2,186	\$ 2,347	\$ 5,894	\$ 12,727	\$ 3,533	\$ 3,179	\$ 3,266
Non-GAAP income per share (in thousands, except per share amounts)													
Net income (loss) ^	\$ 721	\$ (154)	\$ 2,275	\$ 2,121	\$ 4,963	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061
Stock-based compensation expense	1,927	2,065	2,012	2,019	8,023	2,300	2,186	2,347	5,894	12,727	3,533	3,179	3,266
Amortization of intangible assets	1,161	1,198	1,194	1,185	4,738	1,215	1,117	1,128	1,114	4,574	1,125	1,033	928
Discrete impact from tax law change ^	-	-	-	-	-	-	-	-	6,798	6,798	-	-	-
Other	(365)	293	(1,034)	-	(1,106)	-	-	-	-	-	-	-	-
Income tax effects of adjustments ^	(1,074)	(1,289)	(1,031)	(1,476)	(4,870)	(2,142)	(1,213)	(1,254)	(2,166)	(6,775)	(1,153)	(1,027)	(3,008)
Non-GAAP income *	\$ 2,370	\$ 2,113	\$ 3,416	\$ 3,849	\$ 11,748	\$ 4,358	\$ 4,058	\$ 4,397	\$ 4,862	\$ 17,675	\$ 6,759	\$ 8,601	\$ 9,247
Shares used to compute non-GAAP income per share													
Basic	16,783	16,909	17,001	17,050	16,947	17,154	17,198	17,223	17,157	17,183	17,093	17,163	17,219
Diluted	17,029	17,120	17,341	17,366	17,241	17,393	17,378	17,410	17,325	17,356	17,307	17,549	17,741
Non-GAAP income per share													
Basic *	\$ 0.14	\$ 0.12	\$ 0.20	\$ 0.23	\$ 0.69	\$ 0.25	\$ 0.24	\$ 0.26	\$ 0.28	\$ 1.03	\$ 0.40	\$ 0.50	\$ 0.54
Diluted *	\$ 0.14	\$ 0.12	\$ 0.20	\$ 0.22	\$ 0.68	\$ 0.25	\$ 0.23	\$ 0.25	\$ 0.28	\$ 1.02	\$ 0.39	\$ 0.49	\$ 0.52

^ Due to the adoption of new accounting pronouncements, this amount has been adjusted from the amount originally reported. See reconciliation of adjustments on subsequent pages.

* As part of adjustments noted in ^, this amount has been recalculated.

** To supplement its financial statements, SPS Commerce also provides investors with Adjusted EBITDA and non-GAAP income per share, which are non-GAAP financial measures. SPS Commerce believes that these non-GAAP measures provide useful information to management and investors regarding certain financial and business trends relating to its financial condition and results of operations. SPS Commerce's management uses these non-GAAP measures to compare the company's performance to that of prior periods for trend analyses and planning purposes. It uses Adjusted EBITDA for purposes of determining executive and senior management incentive compensation. These measures are also presented to the company's board of directors.

Adjusted EBITDA consists of net income adjusted for depreciation and amortization, interest expense, interest income, income tax expense, stock-based compensation expense, the discrete impact from tax law change and other adjustments as necessary for a fair presentation. For additional information on the "other" adjustments for a specific period, please see Management's Discussion and Analysis of Financial Condition and Results of Operations in SPS Commerce's filings with the U.S. Securities and Exchange Commission. SPS Commerce uses Adjusted EBITDA as a measure of operating performance because it assists the company in comparing performance on a consistent basis, as it removes from operating results the impact of the company's capital structure. SPS Commerce believes Adjusted EBITDA is useful to an investor in evaluating the company's operating performance because it is widely used to measure a company's operating performance without regard to items such as depreciation and amortization, which can vary depending upon accounting methods and the book value of assets, and to present a meaningful measure of corporate performance exclusive of the company's capital structure and the method by which assets were acquired.

Non-GAAP income per share consists of Net income plus stock-based compensation expense, amortization expense related to intangible assets, the discrete impact from tax law change and other adjustments as necessary for a fair presentation divided by the weighted average number of shares of outstanding during each period. SPS Commerce includes an adjustment to non-GAAP income to reflect the income tax effects of the adjustments to GAAP net income, as discussed above. To quantify these tax effects, SPS Commerce recalculates income tax expense excluding the direct book and tax effects of the specific items constituting the non-GAAP adjustments (e.g., stock-based compensation expense). The difference between this recalculated income tax expense and GAAP income tax expense is presented as the income tax effect of the non-GAAP adjustments. SPS Commerce believes non-GAAP income per share is useful to an investor because it is widely used to measure a company's operating performance.

These non-GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with generally accepted accounting principles in the United States. These non-GAAP financial measures exclude significant expenses and income that are required by GAAP to be recorded in the company's financial statements and are subject to inherent limitations. SPS Commerce urges investors to review the reconciliation of its non-GAAP financial measures to the comparable GAAP financial measures. The preceding tables provide reconciliations of net income to Adjusted EBITDA and non-GAAP income per share.



Reconciliation of Adjustments to Statements of Income and Balance Sheets

(Unaudited; in thousands, except per share data)

	2016					2017				
	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR
Adjustments to Statements of Income										
Revenue as historically reported	\$ 45,599	\$ 47,351	\$ 49,284	\$ 51,061	\$ 193,295	\$ 51,932	\$ 54,284	\$ 56,150	\$ 58,200	\$ 220,566
ASC 606 impact ^	(24)	52	(101)	(69)	(142)	(53)	(192)	(93)	(143)	(481)
Revenue with ASC 606 impact	\$ 45,575	\$ 47,403	\$ 49,183	\$ 50,992	\$ 193,153	\$ 51,879	\$ 54,092	\$ 56,057	\$ 58,057	\$ 220,085
Sales and marketing as historically reported	\$ 15,889	\$ 16,677	\$ 16,526	\$ 16,794	\$ 65,886	\$ 17,079	\$ 18,741	\$ 18,239	\$ 19,236	\$ 73,295
ASC 606 impact ^	(46)	(49)	(60)	(65)	(220)	(52)	(47)	(31)	(38)	(168)
ASC 340-40 impact ^	550	939	283	(562)	1,210	(4)	(374)	(570)	(918)	(1,866)
Sales and marketing with ASC 606 and ASC 340-40 impact	\$ 16,393	\$ 17,567	\$ 16,749	\$ 16,167	\$ 66,876	\$ 17,023	\$ 18,320	\$ 17,638	\$ 18,280	\$ 71,261
Total ASC 606 and ASC 340-40 impact on EBITDA	\$ (528)	\$ (838)	\$ (324)	\$ 558	\$ (1,132)	\$ 3	\$ 229	\$ 508	\$ 813	\$ 1,553
Income tax expense as historically reported	\$ 708	\$ 305	\$ 1,220	\$ 907	\$ 3,140	\$ 536	\$ 1,042	\$ 1,058	\$ 8,944	\$ 11,580
ASC 606 and ASC 340-40 impact ^	(205)	(332)	(90)	242	(385)	(11)	86	197	(1,510)	(1,238)
Income tax expense with ASC 606 and ASC 340-40 impact	\$ 503	\$ (27)	\$ 1,130	\$ 1,149	\$ 2,755	\$ 525	\$ 1,128	\$ 1,255	\$ 7,434	\$ 10,342
Total ASC 606 and ASC 340-40 impact on net income	\$ (323)	\$ (506)	\$ (234)	\$ 316	\$ (747)	\$ 14	\$ 143	\$ 311	\$ 2,323	\$ 2,791
Adjustments to Balance Sheets										
Assets, impacted line items										
As historically reported										
Deferred costs				\$ 19,224		\$ 20,908	\$ 21,917	\$ 23,326	\$ 25,091	
Deferred costs, non-current				6,086		6,051	6,419	6,475	6,770	
Deferred income tax asset, non-current				12,446		28,408	27,524	26,628	17,551	
ASC 606/ASC 340-40 impact^										
Deferred costs				\$ 4,018		\$ 3,390	\$ 3,669	\$ 3,702	\$ 4,875	
Deferred costs, non-current				2,789		3,112	3,327	3,807	3,197	
Deferred income tax asset, non-current				(5,092)		(5,081)	(5,167)	(5,364)	(3,854)	
Total impact of ASC 606/ASC 340-40				\$ 1,715		\$ 1,421	\$ 1,829	\$ 2,145	\$ 4,218	
As adjusted										
Deferred costs				\$ 23,242		\$ 24,298	\$ 25,586	\$ 27,028	\$ 29,966	
Deferred costs, non-current				8,875		9,163	9,746	10,282	9,967	
Deferred income tax asset, non-current				7,354		23,327	22,357	21,264	13,697	
Liabilities/stockholders' equity, impacted line items										
As historically reported										
Accrued compensation				\$ 13,740		\$ 12,272	\$ 13,243	\$ 12,681	\$ 15,886	
Income tax effects of adjustments ^				11,055		15,803	16,624	16,209	16,407	
Deferred revenue, non-current				10,847		11,087	11,050	10,625	10,602	
Accumulated deficit				(33,739)		(14,490)	(12,665)	(10,800)	(19,902)	
ASC 606/ASC 340-40 impact^										
Accrued compensation				\$ 111		\$ (250)	\$ (177)	\$ (265)	\$ (658)	
Deferred revenue				1,320		1,479	1,489	1,352	1,456	
Deferred revenue, non-current				(8,216)		(8,322)	(8,140)	(7,910)	(7,871)	
Accumulated deficit				8,500		8,514	8,657	8,968	11,291	
Total impact of ASC 606/ASC 340-40				\$ 1,715		\$ 1,421	\$ 1,829	\$ 2,145	\$ 4,218	
As adjusted										
Accrued compensation				\$ 13,851		\$ 12,022	\$ 13,066	\$ 12,416	\$ 15,228	
Deferred revenue				12,375		17,282	18,113	17,561	17,863	
Deferred revenue, non-current				2,631		2,765	2,910	2,715	2,731	
Accumulated deficit				(25,239)		(5,976)	(4,008)	(1,832)	(8,611)	

^ Pursuant to the adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), and ASC 340-40, *Other Assets and Deferred Costs-Contracts With Customers*, in the first quarter of 2018, the Company adjusted its historical financial statements for 2016 and 2017 to reflect the new accounting guidance. The new standard impacts the accounting for certain upfront set-up fees and the periods over which the related revenues are recognized, the timing and periods over which expenses are recognized for sales commissions, the related tax impact due to changes in income (loss) before income taxes, and the related balance sheet accounts.



Reconciliation of Adjustments to Statements of Cash Flows and Supplemental Financial Data

(Unaudited; in thousands, except per share data)

	2016					2017				
	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR
Adjustments to Statements of Cash Flows										
As historically reported, impacted line items										
Net income					\$ 5,710	\$ 2,971	\$ 1,825	\$ 1,865	\$ (9,101)	\$ (2,440)
Reconciliation of net income to net cash provided by operating activities										
Deferred income taxes					(1,698)	310	926	732	8,886	10,854
Changes in assets and liabilities										
Deferred costs					(4,964)	(1,649)	(1,376)	(1,462)	(2,061)	(6,548)
Accrued compensation					2,180	(1,508)	962	(594)	3,213	2,073
Deferred revenue					2,710	4,988	784	(840)	175	5,107
Net cash provided by operating activities					18,765	10,399	7,507	4,066	9,078	31,050
ASC 606 and ASC 340-40 impact ^										
Net income					\$ (747)	\$ 14	\$ 143	\$ 311	\$ 2,323	\$ 2,791
Reconciliation of net income to net cash provided by operating activities										
Deferred income taxes					(385)	(11)	86	197	(1,510)	(1,238)
Changes in assets and liabilities										
Deferred costs					879	306	(494)	(513)	(564)	(1,265)
Accrued compensation					111	(362)	73	(88)	(392)	(769)
Deferred revenue					142	53	192	93	143	481
Net cash provided by operating activities					\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
As adjusted, impacted line items										
Net income					\$ 4,963	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351
Reconciliation of net income to net cash provided by operating activities										
Deferred income taxes					(2,083)	299	1,012	929	7,376	9,616
Changes in assets and liabilities										
Deferred costs					(4,085)	(1,343)	(1,870)	(1,975)	(2,625)	(7,813)
Accrued compensation					2,291	(1,870)	1,035	(682)	2,821	1,304
Deferred revenue					2,852	5,041	976	(747)	318	5,588
Net cash provided by operating activities					18,765	10,399	7,507	4,066	9,078	31,050
Adjustments to Supplemental Financial Data										
Non-GAAP income										
As historically reported, impacted line items										
Net income (loss)	\$ 1,044	\$ 352	\$ 2,509	\$ 1,805	\$ 5,710	\$ 2,971	\$ 1,825	\$ 1,865	\$ (9,101)	\$ (2,440)
Discrete impact from tax law change	-	-	-	-	-	-	-	-	8,613	8,613
Income tax effects of adjustments	-	-	-	-	-	(2,133)	(1,211)	(1,259)	(2,171)	(6,774)
Adjustments										
Net income (loss) ^	\$ (323)	\$ (506)	\$ (234)	\$ 316	\$ (747)	\$ 14	\$ 143	\$ 311	\$ 2,323	\$ 2,791
Discrete impact from tax law change ^	-	-	-	-	-	-	-	-	(1,815)	(1,815)
Income tax effects of adjustments ^	(8)	(17)	30	50	55	(9)	(2)	5	5	(1)
Income tax effects of adjustments *	(1,066)	(1,272)	(1,061)	(1,526)	(4,925)	-	-	-	-	-
Total, impact of adoption of accounting pronouncements	\$ (1,397)	\$ (1,795)	\$ (1,265)	\$ (1,160)	\$ (5,617)	\$ 5	\$ 141	\$ 316	\$ 513	\$ 975
As adjusted, impacted line items										
Net income (loss)	\$ 721	\$ (154)	\$ 2,275	\$ 2,121	\$ 4,963	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351
Discrete impact from tax law change	-	-	-	-	-	-	-	-	6,798	6,798
Income tax effects of adjustments	(1,074)	(1,289)	(1,031)	(1,476)	(4,870)	(2,142)	(1,213)	(1,254)	(2,166)	(6,775)
Non-GAAP income per share										
As historically reported										
Basic	\$ 0.22	\$ 0.23	\$ 0.28	\$ 0.29	\$ 1.02	\$ 0.25	\$ 0.23	\$ 0.24	\$ 0.25	\$ 0.97
Diluted	\$ 0.22	\$ 0.23	\$ 0.27	\$ 0.29	\$ 1.01	\$ 0.25	\$ 0.23	\$ 0.23	\$ 0.25	\$ 0.96
Adjustments										
Basic	\$ (0.08)	\$ (0.11)	\$ (0.08)	\$ (0.06)	\$ (0.33)	\$ -	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.06
Diluted	\$ (0.08)	\$ (0.11)	\$ (0.07)	\$ (0.07)	\$ (0.33)	\$ -	\$ -	\$ 0.02	\$ 0.03	\$ 0.06
As adjusted										
Basic	\$ 0.14	\$ 0.12	\$ 0.20	\$ 0.23	\$ 0.69	\$ 0.25	\$ 0.24	\$ 0.26	\$ 0.28	\$ 1.03
Diluted	\$ 0.14	\$ 0.12	\$ 0.20	\$ 0.22	\$ 0.68	\$ 0.25	\$ 0.23	\$ 0.25	\$ 0.28	\$ 1.02

^ In the first quarter of 2018, and pursuant to the adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), and ASC 340-40, *Other Assets and Deferred Costs-Contracts With Customers*, the Company adjusted its historical financial statements for 2016 and 2017 to reflect the new accounting guidance. The new standard impacts the accounting for certain upfront set-up fees and the periods over which the related revenues are recognized, the timing and periods over which expenses are recognized for sales commissions, the related tax impact due to changes in income (loss) before income taxes, and the related balance sheet accounts.

* In the first quarter of 2017, and pursuant to Compliance and Disclosure Interpretations published by the U.S. Securities and Exchange Commission in May 2016 (the "May C&D") related to the use of non-GAAP financial measures, the Company began including an adjustment to non-GAAP income to reflect the income tax effects of the adjustments to GAAP net income. To quantify these tax effects, SPS Commerce recalculates income tax expense excluding the direct book and tax effects of the specific items constituting the non-GAAP adjustments (e.g., stock-based compensation expense). The difference between this recalculated income tax expense and GAAP income tax expense is presented as the income tax effect of the non-GAAP adjustments.