



SPS COMMERCE

**Statements of Income**

(Unaudited; in thousands, except per share data)

	2017					2018					2019				
	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR
Revenues <sup>^</sup>	\$ 51,879	\$ 54,092	\$ 56,057	\$ 58,057	\$ 220,085	\$ 59,092	\$ 61,091	\$ 62,868	\$ 65,189	\$ 248,240	\$ 66,934	\$ 68,529	\$ 70,928	\$ 72,733	\$ 279,124
Cost of revenues	17,330	18,191	18,645	19,459	73,625	19,758	20,402	20,411	21,177	81,748	21,367	23,700	23,263	23,909	92,239
Gross profit	34,549	35,901	37,412	38,598	146,460	39,334	40,689	42,457	44,012	166,492	45,567	44,829	47,665	48,824	186,885
Operating expenses															
Sales and marketing <sup>^</sup>	17,023	18,320	17,638	18,280	71,261	18,647	18,424	16,952	17,696	71,719	17,922	17,545	16,937	17,736	70,140
Research and development	5,105	5,369	6,549	6,160	23,183	5,132	5,293	5,146	6,516	22,087	6,192	6,509	7,743	7,861	28,305
General and administrative	7,827	8,139	8,743	12,752	37,461	10,130	9,974	11,174	10,584	41,862	12,770	10,179	10,725	11,045	44,719
Amortization of intangible assets	1,215	1,117	1,128	1,114	4,574	1,125	1,033	928	1,007	4,093	1,304	1,266	1,327	1,418	5,315
Total operating expenses	31,170	32,945	34,058	38,306	136,479	35,034	34,724	34,200	35,803	139,761	38,188	35,499	36,732	38,060	148,479
Income from operations	3,379	2,956	3,354	292	9,981	4,300	5,965	8,257	8,209	26,731	7,379	9,330	10,933	10,764	38,406
Other income (expense)															
Interest income, net	191	242	272	327	1,032	414	547	628	740	2,329	577	813	843	714	2,947
Other income (expense), net	(60)	(102)	(195)	37	(320)	(154)	(168)	(219)	(85)	(626)	(47)	240	(165)	244	272
Change in earn-out liability	-	-	-	-	-	-	-	-	(94)	(94)	(56)	400	22	79	445
Total other income, net	131	140	77	364	712	260	379	409	561	1,609	474	1,453	700	1,037	3,664
Income before income taxes <sup>^</sup>	3,510	3,096	3,431	656	10,693	4,560	6,344	8,666	8,770	28,340	7,853	10,783	11,633	11,801	42,070
Income tax expense <sup>^</sup>	525	1,128	1,255	7,434	10,342	1,306	928	605	1,629	4,468	1,040	1,987	2,692	2,639	8,358
Net income (loss) <sup>^</sup>	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061	\$ 7,141	\$ 23,872	\$ 6,813	\$ 8,796	\$ 8,941	\$ 9,162	\$ 33,712
Net income (loss) per share															
Basic <sup>*</sup>	\$ 0.09	\$ 0.06	\$ 0.06	\$ (0.20)	\$ 0.01	\$ 0.10	\$ 0.16	\$ 0.23	\$ 0.21	\$ 0.69	\$ 0.19	\$ 0.25	\$ 0.26	\$ 0.26	\$ 0.96
Diluted <sup>*</sup>	\$ 0.09	\$ 0.06	\$ 0.06	\$ (0.20)	\$ 0.01	\$ 0.10	\$ 0.15	\$ 0.23	\$ 0.20	\$ 0.68	\$ 0.19	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.94
Shares used to compute Net income (loss) per share															
Basic <sup>*</sup>	34,308	34,396	34,446	34,314	34,366	34,186	34,326	34,438	34,560	34,392	34,942	35,010	35,015	35,029	35,024
Diluted <sup>*</sup>	34,786	34,756	34,820	34,650	34,712	34,614	35,098	35,482	35,444	35,212	35,984	36,020	35,932	35,967	36,002

<sup>^</sup> 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.

<sup>\*</sup> Due to the two-for-one stock split of the Company's common stock, this amount have been adjusted from the amount originally reported. See reconciliation of adjustments on subsequent pages.



## Balance Sheets

(Unaudited, in thousands)

	2017 Q4	2018				2019			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Assets</b>									
Current assets									
Cash and cash equivalents	\$ 123,127	\$ 120,547	\$ 125,385	\$ 144,748	\$ 133,859	\$ 143,715	\$ 147,023	\$ 149,727	\$ 179,252
Short-term investments	40,192	45,272	47,352	44,654	44,537	41,683	51,651	51,446	34,284
Accounts receivable, net	24,897	25,948	28,171	27,289	27,488	28,301	30,747	29,383	31,532
Deferred costs ^	29,966	31,318	32,216	33,134	34,502	34,692	35,087	34,583	35,274
Other current assets	6,149	5,696	6,762	6,613	9,229	8,858	8,265	8,385	11,279
Total current assets	224,331	228,781	239,886	256,438	249,615	257,249	272,773	273,524	291,621
Property and equipment, net	16,856	17,304	18,136	19,368	20,957	20,710	20,597	20,757	23,752
Operating lease right-of-use asset	-	-	-	-	-	15,234	14,038	13,648	15,744
Goodwill	51,613	51,030	50,403	50,502	69,658	70,075	70,300	76,366	76,845
Intangible assets, net	16,529	15,577	14,354	13,491	22,741	21,572	20,379	23,844	22,668
Investments	5,206	2,471	4,922	4,921	-	-	-	-	-
Deferred costs ^	9,967	10,239	10,328	10,597	10,973	11,199	10,441	10,998	11,667
Deferred income tax assets ^	13,697	12,596	12,061	11,433	10,456	9,528	7,627	4,839	2,630
Other assets	1,539	1,598	1,583	1,710	1,723	1,630	2,452	2,621	2,513
Total assets	\$ 339,738	\$ 339,596	\$ 351,673	\$ 368,460	\$ 386,123	\$ 407,197	\$ 418,607	\$ 426,597	\$ 447,440
<b>Liabilities &amp; Stockholders' Equity</b>									
Current liabilities									
Accounts payable	\$ 4,463	\$ 3,472	\$ 3,709	\$ 3,853	\$ 4,440	\$ 4,391	\$ 3,708	\$ 4,367	\$ 4,274
Accrued compensation ^	15,228	11,617	14,347	15,498	20,415	11,974	15,883	17,660	22,303
Accrued expenses & other current liabilities	6,391	5,424	6,131	5,375	6,339	4,619	4,964	4,874	6,207
Deferred revenue ^	17,863	21,583	24,191	24,948	25,328	28,889	30,376	30,351	31,463
Operating lease liabilities	-	-	-	-	-	3,509	3,469	3,281	5,072
Total current liabilities	43,945	42,096	48,378	49,674	56,522	53,382	58,400	60,533	69,319
Deferred revenue	2,731	2,691	2,640	2,685	2,512	2,649	2,714	2,601	2,851
Deferred rent	3,064	4,690	4,290	3,979	5,371	-	-	-	-
Operating lease liabilities	-	-	-	-	-	17,723	16,890	16,224	18,796
Deferred income tax liability	1,887	1,768	1,676	1,551	1,376	1,315	1,246	1,169	1,193
Other non-current liabilities	-	-	-	-	1,368	1,424	1,024	1,002	405
Total liabilities	51,627	51,245	56,984	57,889	67,149	76,493	80,274	81,529	92,564
Stockholders' equity									
Common stock *	34	35	35	35	36	36	36	36	36
Treasury stock	(5,815)	(11,686)	(17,684)	(19,682)	(25,679)	(28,645)	(34,645)	(40,645)	(46,297)
Additional paid-in capital *	301,846	305,741	313,869	323,522	332,574	339,712	344,232	349,014	354,115
Retained earnings (accumulated deficit) ^	(8,611)	(5,357)	59	8,120	15,261	22,074	30,870	39,811	48,973
Accumulated other comprehensive income (loss)	657	(382)	(1,590)	(1,424)	(3,218)	(2,473)	(2,160)	(3,148)	(1,951)
Total stockholders' equity	288,111	288,351	294,689	310,571	318,974	330,704	338,333	345,068	354,876
Total liabilities and stockholders' equity	\$ 339,738	\$ 339,596	\$ 351,673	\$ 368,460	\$ 386,123	\$ 407,197	\$ 418,607	\$ 426,597	\$ 447,440

^ 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.

\* Due to the two-for-one stock split of the Company's common stock, this amount have been adjusted from the amount originally reported. See reconciliation of adjustments on subsequent pages.



# Reconciliation of Adjustments to Statements of Income and Balance Sheets

(Unaudited; in thousands, except per share data)

## Adjustments to Statements of Income

	2017					2018					2019	
	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1	Q2
Net income (loss) as historically reported	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061	\$ 7,141	\$ 23,872	\$ 6,813	\$ 8,796
Net income (loss) per share as historically reported												
Basic	\$ 0.17	\$ 0.11	\$ 0.13	\$ (0.39)	\$ 0.02	\$ 0.19	\$ 0.32	\$ 0.47	\$ 0.41	\$ 1.39	\$ 0.39	\$ 0.50
Diluted	\$ 0.17	\$ 0.11	\$ 0.13	\$ (0.39)	\$ 0.02	\$ 0.19	\$ 0.31	\$ 0.45	\$ 0.40	\$ 1.36	\$ 0.38	\$ 0.49
Shares used to compute Net income (loss) per share as historically reported												
Basic	17,154	17,198	17,223	17,157	17,183	17,093	17,163	17,219	17,280	17,196	17,471	17,505
Diluted	17,393	17,378	17,410	17,325	17,356	17,307	17,549	17,741	17,722	17,606	17,992	18,010
Net income (loss) per share as adjusted												
Basic ^	\$ 0.09	\$ 0.06	\$ 0.06	\$ (0.20)	\$ 0.01	\$ 0.10	\$ 0.16	\$ 0.23	\$ 0.21	\$ 0.69	\$ 0.19	\$ 0.25
Diluted ^	\$ 0.09	\$ 0.06	\$ 0.06	\$ (0.20)	\$ 0.01	\$ 0.09	\$ 0.15	\$ 0.23	\$ 0.20	\$ 0.68	\$ 0.19	\$ 0.24
Shares used to compute Net income (loss) per share as adjusted												
Basic ^	34,308	34,396	34,446	34,314	34,366	34,186	34,326	34,438	34,560	34,392	34,942	35,010
Diluted ^	34,786	34,756	34,820	34,650	34,712	34,614	35,098	35,482	35,444	35,212	35,984	36,020

## Adjustments to Balance Sheets

### Stockholders' equity, impacted share amounts

As historically reported												
Common stock, issued	17,200,526	17,221,798	17,224,060	17,249,153		17,346,080	17,475,360	17,644,364	17,757,628		17,913,306	17,971,845
Common stock, outstanding	17,200,526	17,221,798	17,224,060	17,127,006		17,109,949	17,159,819	17,302,572	17,345,736		17,467,682	17,468,106
Treasury stock	-	-	-	122,147		236,131	315,541	341,792	411,892		445,624	503,739
Stock split impact ^												
Common stock, issued	17,200,526	17,221,798	17,224,060	17,249,153		17,346,080	17,475,360	17,644,364	17,757,628		17,913,306	17,971,845
Common stock, outstanding	17,200,526	17,221,798	17,224,060	17,127,006		17,109,949	17,159,819	17,302,572	17,345,736		17,467,682	17,468,106
Treasury stock	-	-	-	122,147		236,131	315,541	341,792	411,892		445,624	503,739
As adjusted												
Common stock, issued	34,401,052	34,443,596	34,448,120	34,498,306		34,692,160	34,950,720	35,288,728	35,515,256		35,826,612	35,943,690
Common stock, outstanding	34,401,052	34,443,596	34,448,120	34,254,012		34,219,898	34,319,638	34,605,144	34,691,472		34,935,364	34,936,212
Treasury stock	-	-	-	244,294		472,262	631,082	683,584	823,784		891,248	1,007,478
Stockholders' equity, impacted line items												
As historically reported												
Common stock	\$ 17	\$ 17	\$ 17	\$ 17		\$ 17	\$ 17	\$ 18	\$ 18		\$ 18	\$ 18
Treasury stock	-	-	-	(5,815)		(11,686)	(17,684)	(19,682)	(25,679)		(28,645)	(34,645)
Additional paid-in-capital	289,652	292,533	294,943	301,863		305,759	313,887	323,539	332,592		339,730	344,250
Stock split impact ^												
Common stock	\$ 17	\$ 17	\$ 17	\$ 17		\$ 18	\$ 18	\$ 17	\$ 18		\$ 18	\$ 18
Treasury stock	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Additional paid-in-capital	\$ (17)	\$ (17)	\$ (17)	\$ (17)		\$ (18)	\$ (18)	\$ (17)	\$ (18)		\$ (18)	\$ (18)
Total impact of stock split	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
As adjusted												
Common stock	\$ 34	\$ 34	\$ 34	\$ 34		\$ 35	\$ 35	\$ 35	\$ 36		\$ 36	\$ 36
Treasury stock	-	-	-	(5,815)		(11,686)	(17,684)	(19,682)	(25,679)		(28,645)	(34,645)
Additional paid-in-capital	289,635	292,516	294,926	301,846		305,741	313,869	323,522	332,574		339,712	344,232

^ On July 25, 2019, the Company announced that its Board of Directors declared a two-for-one stock split of the Company's common stock, effected in the form of a 100 percent stock dividend. The stock split dividend was distributed on August 22, 2019. Pursuant to the stock split, in the third quarter of 2019, the Company adjusted its historical financial statements for 2017 - 2019 to reflect the two-for-one stock split.



# Statements of Cash Flows

(Unaudited; amounts in thousands)

	2017 YR	Q1	Q2	2018 Q3	Q4	YR	Q1	Q2	2019 Q3	Q4	YR
<b>Cash flows from operating activities</b>											
Net income ^	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061	\$ 7,141	\$ 23,872	\$ 6,813	\$ 8,796	\$ 8,941	\$ 9,162	\$ 33,712
Reconciliation of net income to net cash provided by operating activities											
Deferred income taxes ^	9,616	1,020	478	436	864	2,798	838	1,796	2,726	2,221	7,581
Change in earn-out liability	-	-	-	-	94	94	56	(400)	(22)	(79)	(445)
Depreciation and amortization of property and equipment	7,208	2,083	2,093	2,132	2,285	8,593	2,637	2,688	2,819	2,979	11,123
Amortization of intangible assets	4,574	1,125	1,033	928	1,007	4,093	1,304	1,266	1,327	1,418	5,315
Provision for doubtful accounts	1,705	410	575	795	812	2,592	655	849	925	1,070	3,499
Stock-based compensation	12,728	3,533	3,179	3,266	2,532	12,510	5,294	2,875	3,147	3,374	14,690
Other, net	(15)	(32)	(179)	(44)	(109)	(364)	(240)	(117)	(194)	(23)	(574)
Changes in assets and liabilities											
Accounts receivable	(5,586)	(1,520)	(2,853)	94	(290)	(4,569)	(1,328)	(3,441)	1,099	(3,101)	(6,771)
Deferred costs ^	(7,813)	(1,628)	(993)	(1,192)	(1,751)	(5,564)	(414)	358	(95)	(1,290)	(1,441)
Other current and non-current assets	393	367	(1,077)	29	(2,652)	(3,333)	(337)	(212)	(271)	(1,948)	(2,768)
Accounts payable	832	317	(128)	193	555	937	353	(843)	671	(670)	(489)
Accrued compensation ^	1,304	(3,939)	2,475	872	4,549	3,957	(8,843)	3,633	1,494	4,035	319
Accrued expenses	1,192	(592)	654	(780)	583	(135)	60	344	(488)	790	706
Deferred revenue ^	5,588	3,680	2,557	802	55	7,094	3,698	1,552	(321)	1,437	6,366
Deferred rent	(1,027)	1,271	(332)	(292)	1,793	2,440	-	-	-	-	-
Operating leases	-	-	-	-	-	-	(345)	318	(460)	1,458	971
Net cash provided by operating activities	31,050	9,349	12,898	15,300	17,468	55,015	10,201	19,462	21,298	20,833	71,794
<b>Cash flows from investing activities</b>											
Purchases of property and equipment	(7,271)	(3,884)	(2,597)	(3,394)	(3,875)	(13,750)	(2,899)	(2,452)	(3,036)	(5,198)	(13,585)
Purchases of investments	(47,878)	(19,927)	(32,189)	(12,318)	(17,232)	(81,666)	(12,447)	(32,101)	(17,419)	(11,733)	(73,700)
Maturities of investments	33,029	17,500	27,500	15,000	22,224	82,224	15,225	22,500	17,500	29,247	84,472
Acquisitions of businesses and intangible assets, net	(500)	(381)	-	-	(26,892)	(27,273)	-	-	(11,500)	-	(11,500)
Net cash provided by (used in) investing activities	(22,620)	(6,692)	(7,286)	(712)	(25,775)	(40,465)	(121)	(12,053)	(14,455)	12,316	(14,313)
<b>Cash flows from financing activities</b>											
Repurchases of common stock	(5,815)	(5,871)	(5,998)	(1,998)	(5,997)	(19,864)	(2,966)	(6,000)	(6,000)	(5,652)	(20,618)
Proceeds from exercise of stock options & employee stock purchase plan	3,343	715	5,241	6,680	3,453	16,089	2,472	1,978	1,978	2,048	8,476
Net cash provided by (used in) financing activities	(2,472)	(5,156)	(757)	4,682	(2,544)	(3,775)	(494)	(4,022)	(4,022)	(3,604)	(12,142)
Effect of foreign currency exchange rate changes	1,292	(81)	(17)	93	(38)	(43)	270	(78)	(117)	(21)	54
Net increase (decrease) in cash and cash equivalents	7,250	(2,580)	4,838	19,363	(10,889)	10,732	9,856	3,309	2,704	29,524	45,393
Cash and cash equivalents at beginning of period	115,877	123,127	120,547	125,385	144,748	123,127	133,859	143,715	147,024	149,728	133,859
Cash and cash equivalents at end of period	\$ 123,127	\$ 120,547	\$ 125,385	\$ 144,748	\$ 133,859	\$ 133,859	\$ 143,715	\$ 147,024	\$ 149,728	\$ 179,252	\$ 179,252

^ 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)

	2017					2018					2019				
	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR
Revenues (in thousands) ^	\$ 51,879	\$ 54,092	\$ 56,057	\$ 58,057	\$ 220,085	\$ 59,092	\$ 61,091	\$ 62,868	\$ 65,189	\$ 248,240	\$ 66,934	\$ 68,529	\$ 70,928	\$ 72,733	\$ 279,124
% change (year over year) **	14%	14%	14%	14%	14%	14%	13%	12%	12%	13%	13%	12%	13%	12%	12%
Percentage recurring revenues of total revenues **	92%	93%	93%	93%	93%	93%	92%	93%	93%	93%	94%	94%	94%	94%	94%
Recurring revenue customers	25,001	25,153	25,359	25,751	25,751	25,888	26,212	26,869	29,308	29,308	29,466	29,889	30,551	30,771	30,771
% change (year over year)	5%	4%	3%	4%	4%	4%	4%	6%	14%	14%	14%	14%	14%	5%	5%
Average recurring revenues per recurring revenue customer (quarterly amounts are annualized)	\$ 7,707	\$ 7,993	\$ 8,219	\$ 8,441	\$ 8,067	\$ 8,499	\$ 8,665	\$ 8,838	\$ 8,647	\$ 8,378	\$ 8,541	\$ 8,674	\$ 8,793	\$ 8,934	\$ 8,722
% change (year over year)	9%	11%	11%	11%	10%	10%	8%	8%	2%	4%	0%	0%	-1%	3%	4%
Adjusted EBITDA (in thousands)															
Net income ^	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061	\$ 7,141	\$ 23,872	\$ 6,813	\$ 8,796	\$ 8,941	\$ 9,162	\$ 33,712
Depreciation and amortization	2,906	2,857	2,958	3,061	11,782	3,208	3,126	3,060	3,292	12,686	3,941	3,954	4,146	4,397	16,438
Interest income, net	(191)	(242)	(272)	(327)	(1,032)	(414)	(547)	(628)	(740)	(2,329)	(577)	(813)	(843)	(714)	(2,947)
Income tax expense ^	525	1,128	1,255	7,434	10,342	1,306	928	605	1,629	4,468	1,040	1,987	2,692	2,639	8,358
Stock-based compensation expense	2,300	2,186	2,347	5,894	12,727	3,533	3,179	3,266	2,532	12,510	5,294	2,875	3,147	3,374	14,690
Other	-	-	-	-	-	-	-	-	94	94	(61)	(400)	(22)	(5)	(488)
Adjusted EBITDA **	\$ 8,525	\$ 7,897	\$ 8,464	\$ 9,284	\$ 34,170	\$ 10,887	\$ 12,102	\$ 14,364	\$ 13,948	\$ 51,301	\$ 16,450	\$ 16,399	\$ 18,061	\$ 18,853	\$ 69,763
Stock-based compensation expense (in thousands)															
Included in															
Cost of revenues	\$ 451	\$ 469	\$ 494	\$ 473	\$ 1,887	\$ 548	\$ 504	\$ 535	\$ 581	\$ 2,168	\$ 587	\$ 662	\$ 778	\$ 792	\$ 2,819
Sales and marketing	517	574	565	541	2,197	653	710	691	621	2,675	730	694	784	738	2,946
Research and development	229	228	241	251	949	329	357	287	532	1,505	523	602	697	829	2,651
General and administrative	1,103	915	1,047	4,629	7,694	2,003	1,608	1,753	798	6,162	3,454	917	888	1,015	6,274
Total stock-based compensation expense	\$ 2,300	\$ 2,186	\$ 2,347	\$ 5,894	\$ 12,727	\$ 3,533	\$ 3,179	\$ 3,266	\$ 2,532	\$ 12,510	\$ 5,294	\$ 2,875	\$ 3,147	\$ 3,374	\$ 14,690
Non-GAAP income per share (in thousands, except per share amounts)															
Net income ^	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061	\$ 7,141	\$ 23,872	\$ 6,813	\$ 8,796	\$ 8,941	\$ 9,162	\$ 33,712
Stock-based compensation expense ^	2,300	2,186	2,347	5,894	12,727	3,533	3,179	3,266	2,532	12,510	5,294	2,875	3,147	3,374	14,690
Amortization of intangible assets	1,215	1,117	1,128	1,114	4,574	1,125	1,033	928	1,007	4,093	1,304	1,266	1,327	1,418	5,315
Discrete impact from tax law change	-	-	-	6,798	6,798	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	94	94	(61)	(400)	(22)	(5)	(488)
Income tax effects of adjustments ^	(2,142)	(1,213)	(1,254)	(2,166)	(6,775)	(1,153)	(1,027)	(3,008)	(1,406)	(6,594)	(2,643)	(1,723)	(1,606)	(1,332)	(7,304)
Non-GAAP income **	\$ 4,358	\$ 4,058	\$ 4,397	\$ 4,862	\$ 17,675	\$ 6,759	\$ 8,601	\$ 9,247	\$ 9,368	\$ 33,975	\$ 10,707	\$ 10,814	\$ 11,787	\$ 12,617	\$ 45,925
Shares used to compute non-GAAP income per share															
Basic *	34,308	34,396	34,446	34,314	34,366	34,186	34,326	34,438	34,560	34,392	34,942	35,010	35,015	35,029	35,024
Diluted *	34,786	34,756	34,820	34,650	34,712	34,614	35,098	35,482	35,444	35,212	35,984	36,020	35,932	35,967	36,002
Non-GAAP income per share															
Basic **	\$ 0.13	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.51	\$ 0.20	\$ 0.25	\$ 0.27	\$ 0.27	\$ 0.99	\$ 0.31	\$ 0.31	\$ 0.34	\$ 0.36	\$ 1.31
Diluted **	\$ 0.13	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.51	\$ 0.20	\$ 0.25	\$ 0.26	\$ 0.26	\$ 0.96	\$ 0.30	\$ 0.30	\$ 0.33	\$ 0.35	\$ 1.28

^ 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.

\* Due to the two-for-one stock split of the Company's common stock, this amount have been adjusted from the amount originally reported. See reconciliation of adjustments on subsequent pages.

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

\*\*\* To supplement its financial statements, the Company also provides investors with Adjusted EBITDA and non-GAAP income per share, which are non-GAAP financial measures. The Company 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. The Company'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 the Company's filings with the U.S. Securities and Exchange Commission. The Company 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. The Company 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. The Company 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, the Company 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. The Company 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. The Company 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)

	Q1	Q2	2017 Q3	Q4	YR
<b>Adjustments to Statements of Income</b>					
Revenue as historically reported	\$ 51,932	\$ 54,284	\$ 56,150	\$ 58,200	\$ 220,566
ASC 606 impact ^	(53)	(192)	(93)	(143)	(481)
Revenue with ASC 606 impact	\$ 51,879	\$ 54,092	\$ 56,057	\$ 58,057	\$ 220,085
Sales and marketing as historically reported	\$ 17,079	\$ 18,741	\$ 18,239	\$ 19,236	\$ 73,295
ASC 606 impact ^	(52)	(47)	(31)	(38)	(168)
ASC 340-40 impact ^	(4)	(374)	(570)	(918)	(1,866)
Sales and marketing with ASC 606 and ASC 340-40 impact	\$ 17,023	\$ 18,320	\$ 17,638	\$ 18,280	\$ 71,261
Total ASC 606 and ASC 340-40 impact on EBITDA	\$ 3	\$ 229	\$ 508	\$ 813	\$ 1,553
Income tax expense as historically reported	\$ 536	\$ 1,042	\$ 1,058	\$ 8,944	\$ 11,580
ASC 606 and ASC 340-40 impact ^	(11)	86	197	(1,510)	(1,238)
Income tax expense with ASC 606 and ASC 340-40 impact	\$ 525	\$ 1,128	\$ 1,255	\$ 7,434	\$ 10,342
Total ASC 606 and ASC 340-40 impact on net income	\$ 14	\$ 143	\$ 311	\$ 2,323	\$ 2,791
<b>Adjustments to Balance Sheets</b>					
<b>Assets, impacted line items</b>					
As historically reported					
Deferred costs	\$ 20,908	\$ 21,917	\$ 23,326	\$ 25,091	
Deferred costs, non-current	6,051	6,419	6,475	6,770	
Deferred income tax asset, non-current	28,408	27,524	26,628	17,551	
ASC 606/ASC 340-40 impact^					
Deferred costs	\$ 3,390	\$ 3,669	\$ 3,702	\$ 4,875	
Deferred costs, non-current	3,112	3,327	3,807	3,197	
Deferred income tax asset, non-current	(5,081)	(5,167)	(5,364)	(3,854)	
Total impact of ASC 606/ASC 340-40	\$ 1,421	\$ 1,829	\$ 2,145	\$ 4,218	
As adjusted					
Deferred costs	\$ 24,298	\$ 25,586	\$ 27,028	\$ 29,966	
Deferred costs, non-current	9,163	9,746	10,282	9,967	
Deferred income tax asset, non-current	23,327	22,357	21,264	13,697	
<b>Liabilities/stockholders' equity, impacted line items</b>					
As historically reported					
Accrued compensation	\$ 12,272	\$ 13,243	\$ 12,681	\$ 15,886	
Income tax effects of adjustments ^	15,803	16,624	16,209	16,407	
Deferred revenue, non-current	11,087	11,050	10,625	10,602	
Accumulated deficit	(14,490)	(12,665)	(10,800)	(19,902)	
ASC 606/ASC 340-40 impact^					
Accrued compensation	\$ (250)	\$ (177)	\$ (265)	\$ (658)	
Deferred revenue	1,479	1,489	1,352	1,456	
Deferred revenue, non-current	(8,322)	(8,140)	(7,910)	(7,871)	
Accumulated deficit	8,514	8,657	8,968	11,291	
Total impact of ASC 606/ASC 340-40	\$ 1,421	\$ 1,829	\$ 2,145	\$ 4,218	
As adjusted					
Accrued compensation	\$ 12,022	\$ 13,066	\$ 12,416	\$ 15,228	
Deferred revenue	17,282	18,113	17,561	17,863	
Deferred revenue, non-current	2,765	2,910	2,715	2,731	
Accumulated deficit	(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)

	Q1	Q2	2017 Q3	Q4	YR
<b>Adjustments to Statements of Cash Flows</b>					
As historically reported, impacted line items					
Net income	\$ 2,971	\$ 1,825	\$ 1,865	\$ (9,101)	\$ (2,440)
Reconciliation of net income to net cash provided by operating activities					
Deferred income taxes	310	926	732	8,886	10,854
Changes in assets and liabilities					
Deferred costs	(1,649)	(1,376)	(1,462)	(2,061)	(6,548)
Accrued compensation	(1,508)	962	(594)	3,213	2,073
Deferred revenue	4,988	784	(840)	175	5,107
Net cash provided by operating activities	10,399	7,507	4,066	9,078	31,050
ASC 606 and ASC 340-40 impact ^					
Net income	\$ 14	\$ 143	\$ 311	\$ 2,323	\$ 2,791
Reconciliation of net income to net cash provided by operating activities					
Deferred income taxes	(11)	86	197	(1,510)	(1,238)
Changes in assets and liabilities					
Deferred costs	306	(494)	(513)	(564)	(1,265)
Accrued compensation	(362)	73	(88)	(392)	(769)
Deferred revenue	53	192	93	143	481
Net cash provided by operating activities	\$ -	\$ -	\$ -	\$ -	\$ -
As adjusted, impacted line items					
Net income	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351
Reconciliation of net income to net cash provided by operating activities					
Deferred income taxes	299	1,012	929	7,376	9,616
Changes in assets and liabilities					
Deferred costs	(1,343)	(1,870)	(1,975)	(2,625)	(7,813)
Accrued compensation	(1,870)	1,035	(682)	2,821	1,304
Deferred revenue	5,041	976	(747)	318	5,588
Net cash provided by operating activities	10,399	7,507	4,066	9,078	31,050
<b>Adjustments to Supplemental Financial Data</b>					
Non-GAAP income					
As historically reported, impacted line items					
Net income (loss)	\$ 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) ^	\$ 14	\$ 143	\$ 311	\$ 2,323	\$ 2,791
Discrete impact from tax law change ^	-	-	-	(1,815)	(1,815)
Income tax effects of adjustments ^	(9)	(2)	5	5	(1)
Income tax effects of adjustments *	-	-	-	-	-
Total, impact of adoption of accounting pronouncements	\$ 5	\$ 141	\$ 316	\$ 513	\$ 975
As adjusted, impacted line items					
Net income (loss)	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351
Discrete impact from tax law change	-	-	-	6,798	6,798
Income tax effects of adjustments	(2,142)	(1,213)	(1,254)	(2,166)	(6,775)
Non-GAAP income per share					
As historically reported					
Basic	\$ 0.25	\$ 0.23	\$ 0.24	\$ 0.25	\$ 0.97
Diluted	\$ 0.25	\$ 0.23	\$ 0.23	\$ 0.25	\$ 0.96
ASC 606 and ASC 340 Adjustments					
Basic	\$ -	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.06
Diluted	\$ -	\$ -	\$ 0.02	\$ 0.03	\$ 0.06
Stock Split Adjustments					
Basic **	\$ (0.13)	\$ (0.12)	\$ (0.13)	\$ (0.14)	\$ (0.51)
Diluted **	\$ (0.13)	\$ (0.12)	\$ (0.13)	\$ (0.14)	\$ (0.51)
As adjusted					
Basic	\$ 0.13	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.51
Diluted	\$ 0.13	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.51

^ 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&DI") 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.

\*\* Due to the two-for-one stock split of the Company's common stock, this amount have been adjusted from the amount originally reported.