



## SPS Commerce Reports First Quarter 2018 Financial Results

Apr 26, 2018

### Company delivers 14% growth in recurring revenue over 2017

MINNEAPOLIS, April 26, 2018 (GLOBE NEWSWIRE) -- SPS Commerce, Inc. (Nasdaq:SPSC), a leader in retail cloud services, today announced financial results for the first quarter ended March 31, 2018.

Revenue was \$59.1 million in the first quarter of 2018, compared to \$51.9 million in the first quarter of 2017, reflecting 14% growth in revenue from the first quarter of 2017. Recurring revenue grew 14% from the first quarter of 2017. Current and prior period financial results reflect the adoption of ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606).

Net income in the first quarter of 2018 was \$3.3 million or \$0.19 per diluted share, compared to net income of \$3.0 million or \$0.17 per diluted share, in the first quarter of 2017. Non-GAAP income per diluted share was \$0.39 compared to non-GAAP income per diluted share of \$0.25 in the first quarter of 2017.

Adjusted EBITDA for the first quarter of 2018 increased 28% to \$10.9 million compared to the first quarter of 2017.

"Retail industry dynamics validate the need for agile supply chain solutions and highlight the vast number of retailers out there, who are at different stages in adapting to e-commerce," said Archie Black, President and CEO of SPS Commerce. "Increasing collaboration among trading partners is a complex progression and we believe that SPS Commerce, with the retail industry's largest network and a comprehensive portfolio of e-commerce solutions, is well positioned to connect retailers and suppliers on the industry's most broadly adopted retail cloud services platform."

"We started the year with strong adjusted EBITDA growth, and we feel confident in our ability to grow our margin profile in the long term," said Kim Nelson, CFO of SPS Commerce.

### Guidance

For the second quarter of 2018, revenue is expected to be in the range of \$59.4 million to \$60.0 million. Second quarter net income per diluted share is expected to be in the range of \$0.14 to \$0.16 with fully diluted weighted average shares outstanding of approximately 17.5 million shares. Non-GAAP income per diluted share is expected to be in the range of \$0.32 to \$0.34. Adjusted EBITDA is expected to be in the range of \$10.2 million to \$10.7 million. Non-cash, share-based compensation expense is expected to be approximately \$3.3 million, depreciation expense is expected to be approximately \$2.4 million and amortization expense is expected to be approximately \$1.1 million.

For the full year of 2018, revenue is expected to be in the range of \$242 million to \$244 million, representing approximately 10% to 11% growth over 2017. Full year net income per diluted share is expected to be in the range of \$0.70 to \$0.74 with fully diluted weighted average shares outstanding of approximately 17.5 million shares. Non-GAAP income per diluted share is expected to be in the range of \$1.40 to \$1.45. Adjusted EBITDA is expected to be in the range of \$43.5 to \$45.0 million, representing approximately 27% to 32% growth over 2017. Non-cash, share-based compensation expense is expected to be approximately \$12.7 million, depreciation expense is expected to be approximately \$9.9 million and amortization expense is expected to be approximately \$4.5 million.

### Quarterly Conference Call

SPS Commerce will discuss its quarterly results today via teleconference at 3:30 p.m. CT (4:30 p.m. ET). To access the call, please dial (877) 312-7508, or outside the U.S. (253) 237-1184, with Conference ID # 3094326 at least five minutes prior to the 3:30 p.m. CT start time. A live webcast of the call will also be available at <http://investors.spscommerce.com> under the Events and Presentations menu. The replay will also be available on our website at <http://investors.spscommerce.com>.

### About SPS Commerce

SPS Commerce perfects the power of trading partner relationships with the industry's most broadly adopted, retail cloud services platform. As a leader in cloud-based supply chain management solutions, we provide proven integrations and comprehensive retail performance analytics to thousands of customers worldwide. SPS Commerce has achieved 69 consecutive quarters of revenue growth and is headquartered in Minneapolis. For additional information, please contact SPS Commerce at 866-245-8100 or visit [www.spscommerce.com](http://www.spscommerce.com).

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## Use of Non-GAAP Financial Measures

To supplement its financial statements, SPS Commerce also provides investors with Adjusted EBITDA and non-GAAP net 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, and other adjustments as necessary for a fair presentation. 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, and other adjustments as necessary for a fair presentation, divided by the weighted average number of shares of common stock 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. 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 that are included in this press release.

## Forward-Looking Statements

This press release may contain forward-looking statements, including information about management's view of SPS Commerce's future expectations, plans and prospects, including our views regarding future execution within our business, the opportunity we see in the retail supply chain world and our performance for the first quarter and full year of 2018, within the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors which may cause the results of SPS Commerce to be materially different than those expressed or implied in such statements. Certain of these risk factors and others are included in documents SPS Commerce files with the Securities and Exchange Commission, including but not limited to, SPS Commerce's Annual Report on Form 10-K for the year ended December 31, 2017, as well as subsequent reports filed with the Securities and Exchange Commission. Other unknown or unpredictable factors also could have material adverse effects on SPS Commerce's future results. The forward-looking statements included in this press release are made only as of the date hereof. SPS Commerce cannot guarantee future results, levels of activity, performance or achievements. Accordingly, you should not place undue reliance on these forward-looking statements. Finally, SPS Commerce expressly disclaims any intent or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

## SPS COMMERCE, INC.

### CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited; in thousands, except share amounts)

	March 31, 2018	December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 120,547	\$ 123,127
Short-term investments	45,272	40,192
Accounts receivable, less allowance for doubtful accounts of \$775 and \$763, respectively	25,948	24,897
Deferred costs	31,318	29,966
Other current assets	5,696	6,149
Total current assets	228,781	224,331
PROPERTY AND EQUIPMENT, net	17,304	16,856
GOODWILL	51,030	51,613
INTANGIBLE ASSETS, net	15,577	16,529
INVESTMENTS	2,471	5,206
<b>OTHER ASSETS</b>		
Deferred costs	10,239	9,967
Deferred income tax asset	12,596	13,697
Other assets	1,598	1,539
Total assets	\$ 339,596	\$ 339,738
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,472	\$ 4,463
Accrued compensation	11,617	15,228
Accrued expenses	4,111	4,712
Deferred revenue	21,583	17,863
Deferred rent	1,313	1,679
Total current liabilities	42,096	43,945
<b>OTHER LIABILITIES</b>		
Deferred revenue	2,691	2,731
Deferred rent	4,690	3,064
Deferred income tax liability	1,768	1,887
Total liabilities	51,245	51,627
<b>COMMITMENTS and CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; 0 shares issued and outstanding	—	—
Common stock, \$0.001 par value; 55,000,000 shares authorized; 17,346,080 and 17,249,153 shares issued; and 17,109,949 and 17,127,006 outstanding, respectively	17	17
Treasury stock, at cost; 236,131 and 122,147 shares, respectively	(11,686 )	(5,815 )
Additional paid-in capital	305,759	301,863
Accumulated deficit	(5,357 )	(8,611 )
Accumulated other comprehensive income (loss)	(382 )	657
Total stockholders' equity	288,351	288,111
Total liabilities and stockholders' equity	\$ 339,596	\$ 339,738

*Subject to reclassification*

## **SPS COMMERCE, INC.**

### **CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited; in thousands, except per share amounts)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Revenues	\$ 59,092	\$ 51,879
Cost of revenues	19,758	17,330
Gross profit	39,334	34,549
Operating expenses		
Sales and marketing	18,647	17,023
Research and development	5,132	5,105
General and administrative	10,130	7,827
Amortization of intangible assets	1,125	1,215
Total operating expenses	35,034	31,170
Income from operations	4,300	3,379
Other income (expense)		
Interest income, net	414	191
Other income (expense), net	(154 )	(60 )
Total other income, net	260	131
Income before income taxes	4,560	3,510
Income tax expense	1,306	525
Net income	\$ 3,254	\$ 2,985
Net income per share		
Basic	\$ 0.19	\$ 0.17
Diluted	\$ 0.19	\$ 0.17
Weighted average common shares used to compute net income per share		
Basic	17,093	17,154
Diluted	17,307	17,393

**SPS COMMERCE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited; in thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Cash flows from operating activities		
Net income	\$ 3,254	\$ 2,985
Reconciliation of net income to net cash provided by operating activities		
Deferred income taxes	1,020	299
Depreciation and amortization of property and equipment	2,083	1,691
Amortization of intangible assets	1,125	1,215
Provision for doubtful accounts	410	332
Stock-based compensation	3,533	2,300
Other, net	(32)	(25)
Changes in assets and liabilities		
Accounts receivable	(1,520)	(2,201)
Deferred costs	(1,628)	(1,343)
Other current and non-current assets	367	180
Accounts payable	317	1,169
Accrued compensation	(3,939)	(1,870)
Accrued expenses	(592)	945
Deferred revenue	3,680	5,041
Deferred rent	1,271	(319)
Net cash provided by operating activities	9,349	10,399
Cash flows from investing activities		
Purchases of property and equipment	(3,884)	(1,299)
Purchases of investments	(19,927)	(4,995)
Maturities of investments	17,500	7,500
Acquisitions of businesses and intangible assets, net of cash acquired	(381)	(500)
Net cash (used in) provided by investing activities	(6,692)	706
Cash flows from financing activities		
Repurchases of common stock	(5,871)	—
Net proceeds from exercise of options to purchase common stock	715	1,037
Net cash (used in) provided by financing activities	(5,156)	1,037
Effect of foreign currency exchange rate changes	(81)	688
Net (decrease) increase in cash and cash equivalents	(2,580)	12,830
Cash and cash equivalents at beginning of period	123,127	115,877
Cash and cash equivalents at end of period	\$ 120,547	\$ 128,707

*Subject to reclassification*

**SPS COMMERCE, INC.**  
**NON-GAAP RECONCILIATION**

(Unaudited; in thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Net income	\$ 3,254	\$ 2,985
Depreciation and amortization of property and equipment	2,083	1,691
Amortization of intangible assets	1,125	1,215
Interest income, net	(414)	(191)
Income tax expense	1,306	525
Stock-based compensation expense	3,533	2,300
Adjusted EBITDA	\$ 10,887	\$ 8,525
Net income	\$ 3,254	\$ 2,985
Stock-based compensation expense	3,533	2,300
Amortization of intangible assets	1,125	1,215

Income tax effects of adjustments	(1,153	)	(2,142	)
Non-GAAP income	\$ 6,759		\$ 4,358	
Shares used to compute non-GAAP income per share				
Basic	17,093		17,154	
Diluted	17,307		17,393	
Non-GAAP income per share				
Basic	\$ 0.40		\$ 0.25	
Diluted	\$ 0.39		\$ 0.25	

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