



SPS Commerce Acquires CovalentWorks

Dec 19, 2018

Acquisition extends company's leadership in fulfillment for small to medium-sized businesses and expands the SPS Commerce retail community

Company to host conference call today at 8:30 a.m. ET

MINNEAPOLIS, Dec. 19, 2018 (GLOBE NEWSWIRE) -- SPS Commerce, Inc. (NASDAQ: SPSC), a leader in retail cloud services, today announced the acquisition of CovalentWorks, a provider of cloud-based EDI solutions to approximately 2,000 small and medium-sized businesses.

"We are pleased to welcome CovalentWorks' employees and customers to the SPS Commerce community," said Archie Black, President and CEO of SPS Commerce. "With the addition of CovalentWorks' customers, this acquisition further extends the power of our retail community."

"SPS Commerce shares our vision of helping trading partners work better together through people, process and innovative technology solutions," said Steve Brewer, CEO of CovalentWorks. "We are excited to empower our customers with the opportunities that SPS Commerce and its network can offer."

As part of the SPS Commerce community, CovalentWorks customers will have access to the industry's broadest retail trading network, leading ERP, e-commerce and logistics applications, global supply chain partners, and opportunities to enhance supply chain efficiency.

Acquisition Details

Under the terms of the acquisition agreement, SPS Commerce acquired substantially all of the assets of CovalentWorks for approximately \$20 million in cash and \$3 million in stock. CovalentWorks is headquartered in Houston, TX.

SPS Commerce anticipates the acquisition will have a nominal impact to fourth quarter and full year 2018 expected financial results.

For fiscal year 2019, the company expects the acquisition will add approximately \$4.5 million in revenue and approximately \$1 million in Adjusted EBITDA. The company anticipates the acquisition to contribute approximately \$100,000 per quarter to Adjusted EBITDA in the first half of 2019, and approximately \$400,000 per quarter in the second half of 2019. The company also expects the acquisition to contribute approximately \$2 million to Adjusted EBITDA in fiscal year 2020. Additional details, including the amortization expense associated with the acquisition, will be provided when the company reports fourth quarter and fiscal 2018 results in February of 2019.

Conference Call

SPS Commerce will host a conference call today at 7:30 a.m. CT (8:30 a.m. ET). To access the call, please dial (877) 312-7508, or outside the U.S. (253) 237-1184, with Conference ID # 7097936 at least five minutes prior to the 7:30 a.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 71 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.

SPS COMMERCE, SPS, SPS logo, RETAIL UNIVERSE, 1=INFINITY logo, AS THE NETWORK GROWS, SO DOES YOUR OPPORTUNITY, INFINITE RETAIL POWER, RETAIL UNIVERSE are marks of SPS Commerce, Inc. and Registered in the U.S. Patent and Trademark Office. RSX, IN:FLUENCE, and others are further marks of SPS Commerce, Inc. These marks may be registered or otherwise protected in other countries.

Use of Non-GAAP Financial Measures

To supplement its financial statements, SPS Commerce also provides investors with Adjusted EBITDA and Non-GAAP income per share, both of 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, and stock-based compensation expense. 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 income tax effects of adjustments, 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 fourth quarter and full year of 2018, and impact of the acquisition to our performance in 2019 and 2020, 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-F

Contact:

Investor Relations

The Blueshirt Group

Irmina Blaszczyk

Lisa Laukkanen

SPSC@blueshirtgroup.com

415-217-4962



Source: SPS Commerce, Inc.