

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

April 25, 2024
Date of report (Date of earliest event reported)

SPS COMMERCE, INC.
(Exact Name of Registrant as Specified in its Charter)

| | | |
|--------------------------|--------------------------|--------------------------------------|
| Delaware | 001-34702 | 41-2015127 |
| (State of Incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| | |
|--|--------------|
| 333 South Seventh Street, Suite 1000 Minneapolis, Minnesota | 55402 |
| (Address of Principal Executive Offices) | (Zip Code) |

(612) 435-9400
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common stock, par value \$0.001 per share | SPSC | The Nasdaq Stock Market LLC (Nasdaq Global Market) |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Item 2.02. Results of Operations and Financial Condition.

On April 25, 2024, we issued a press release disclosing our results of operations and financial condition for our first quarter ended March 31, 2024. In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibit 99, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in that filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

| <u>Exhibit No.</u> | <u>Exhibit</u> |
|---------------------------|---|
| 99 | Press Release dated April 25, 2024 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SPS COMMERCE, INC.

Date: April 25, 2024

By: /s/ KIMBERLY NELSON

Kimberly Nelson

Executive Vice President and Chief Financial Officer

SPS Commerce Reports First Quarter 2024 Financial Results*Company delivers 93rd consecutive quarter of topline growth**Revenue and recurring revenue growth of 19% year-over-year*

MINNEAPOLIS, April 25, 2024 (GLOBE NEWSWIRE) -- SPS Commerce, Inc. (NASDAQ: SPSC), a leader in retail supply chain cloud services, today announced financial results for the first quarter ended March 31, 2024.

Financial Highlights**First Quarter 2024 Financial Highlights**

- Revenue was \$149.6 million in the first quarter of 2024, compared to \$125.9 million in the first quarter of 2023, reflecting 19% growth.
- Recurring revenue grew 19% from the first quarter of 2023.
- Net income was \$18.0 million or \$0.48 per diluted share, compared to net income of \$15.3 million or \$0.41 per diluted share in the first quarter of 2023.
- Non-GAAP income per diluted share was \$0.86, compared to non-GAAP income per diluted share of \$0.67 in the first quarter of 2023.
- Adjusted EBITDA for the first quarter of 2024 increased 20% to \$44.4 million compared to the first quarter of 2023.
- Share repurchases in the first quarter of 2024 totaled \$20 million.

“SPS’ vast network and go-to-market strategy are unique differentiators of our business model, evidenced by our strong channel partnerships and longstanding customer relationships,” said Chad Collins, CEO of SPS Commerce. “Ongoing investments in supply chain management, coupled with SPS’ competitive position underscore our conviction in the growth opportunity ahead of us.”

“SPS Commerce delivered a strong start to the year and the 93rd consecutive quarter of revenue growth,” said Kim Nelson, CFO of SPS Commerce. “As we capitalize on ongoing opportunities across our addressable markets, we continue to invest in our solutions and customer experience to strengthen our competitive position across the largest network of trading partners in the retail supply chain.”

Guidance**Second Quarter 2024 Guidance**

- Revenue is expected to be in the range of \$150.9 million to \$151.7 million.
- Net income per diluted share is expected to be in the range of \$0.45 to \$0.46, with fully diluted weighted average shares outstanding of 37.9 million shares.
- Non-GAAP income per diluted share is expected to be in the range of \$0.75 to \$0.76.
- Adjusted EBITDA is expected to be in the range of \$43.4 million to \$44.1 million.
- Non-cash, share-based compensation expense is expected to be \$11.7 million, depreciation expense is expected to be \$4.7 million, and amortization expense is expected to be \$4.6 million.

Fiscal Year 2024 Guidance

- Revenue is expected to be in the range of \$619.9 million to \$621.9 million, representing 15% to 16% growth over 2023.
- Net income per diluted share is expected to be in the range of \$1.99 to \$2.02, with fully diluted weighted average shares outstanding of 37.9 million shares.
- Non-GAAP income per diluted share is expected to be in the range of \$3.28 to \$3.32.
- Adjusted EBITDA is expected to be in the range of \$185.1 to \$186.7 million, representing 17% to 18% growth over 2023.
- Non-cash, share-based compensation expense is expected to be \$56.1 million, depreciation expense is expected to be \$19.5 million, and amortization expense is expected to be \$18.1 million.

The forward-looking measures and the underlying assumptions involve significant known and unknown risks and uncertainties, and actual results may vary materially. The Company does not present a reconciliation of the forward-looking non-GAAP financial measures, including Adjusted EBITDA, Adjusted EBITDA margin, and non-GAAP income per share, to the most directly comparable GAAP financial measures because it is impractical to forecast certain items without unreasonable efforts due to the uncertainty and inherent difficulty of predicting, within a reasonable range, the occurrence and financial impact of and the periods in which such items may be recognized.

Quarterly Conference Call

To access the call, please dial 1-833-816-1382, or outside the U.S. 1-412-317-0475 at least 15 minutes prior to the 3:30 p.m. CT start time. Please ask to join the SPS Commerce Q1 2024 conference call. 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 is the world's leading retail network, connecting trading partners around the globe to optimize supply chain operations for all retail partners. We support data-driven partnerships with innovative cloud technology, customer-obsessed service and accessible experts so our customers can focus on what they do best. To date, more than 120,000 companies in retail, grocery, distribution, supply, and logistics have chosen SPS as their retail network. SPS has achieved 93 consecutive quarters of revenue growth and is headquartered in Minneapolis. For additional information, contact SPS at 866-245-8100 or visit www.spscommerce.com.

SPS COMMERCE, SPS, SPS logo and INFINITE RETAIL POWER are marks of SPS Commerce, Inc. and registered in the U.S. Patent and Trademark Office, along with other SPS marks. Such marks may also be registered or otherwise protected in other countries.

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Use of Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements, we provide investors with Adjusted EBITDA, Adjusted EBITDA Margin, and non-GAAP income per share, all of which are non-GAAP financial measures. We believe that these non-GAAP financial measures provide useful information to our management, Board of Directors, and investors regarding certain financial and business trends relating to our financial condition and results of operations.

Our management uses these non-GAAP financial measures to compare our performance to that of prior periods for trend analyses and planning purposes. Adjusted EBITDA is also used for purposes of determining executive and senior management incentive compensation. We believe these non-GAAP financial measures are useful to an investor as they are widely used in evaluating operating performance. Adjusted EBITDA and Adjusted EBITDA Margin are used to measure 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 capital structure and the method by which assets were acquired.

These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP. These non-GAAP financial measures exclude significant expenses and income that are required by GAAP to be recorded in our condensed consolidated financial statements and are subject to inherent limitations. Investors should review the reconciliations of non-GAAP financial measures to the comparable GAAP financial measures that are included in this press release.

Adjusted EBITDA Measures:

Adjusted EBITDA consists of net income adjusted for income tax expense, depreciation and amortization expense, stock-based compensation expense, realized gain or loss from foreign currency on cash and investments held, investment income, and other adjustments as necessary for a fair presentation. Net income is the comparable GAAP measure of financial performance.

Adjusted EBITDA Margin consists of Adjusted EBITDA divided by revenue. Margin, the comparable GAAP measure of financial performance, consists of net income divided by revenue.

Non-GAAP Income Per Share Measure:

Non-GAAP income per share consists of net income adjusted for stock-based compensation expense, amortization expense related to intangible assets, realized gain or loss from foreign currency on cash and investments held, other adjustments as necessary for a fair presentation, and the corresponding tax impacts of the adjustments to net income, divided by the weighted average number of shares of common and diluted stock outstanding during each period. Net income per share, the comparable GAAP measure of financial performance, consists of net income divided by the weighted average number of shares of common and diluted stock outstanding during each period.

To quantify the tax effects, we recalculated income tax expense excluding the direct book and tax effects of the specific items constituting the non-GAAP adjustments. 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.

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 second quarter and full year of 2024, 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, 2023, 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
(in thousands, except shares)

| | March 31, 2024 | December 31, 2023 |
|---|-------------------|----------------------|
| ASSETS | (unaudited) | |
| Current assets | | |
| Cash and cash equivalents | \$ 234,637 | \$ 219,081 |
| Short-term investments | 56,174 | 56,359 |
| Accounts receivable | 55,724 | 50,160 |
| Allowance for credit losses | (3,589) | (3,320) |
| Accounts receivable, net | 52,135 | 46,840 |
| Deferred costs | 63,647 | 62,403 |
| Other assets | 13,695 | 16,758 |
| Total current assets | 420,288 | 401,441 |
| Property and equipment, net | 34,971 | 36,043 |
| Operating lease right-of-use assets | 7,285 | 7,862 |
| Goodwill | 248,813 | 249,176 |
| Intangible assets, net | 99,289 | 107,344 |
| Other assets | | |
| Deferred costs, non-current | 20,601 | 20,347 |
| Deferred income tax assets | 7,483 | 505 |
| Other assets, non-current | 1,117 | 1,126 |
| Total assets | \$ 839,847 | \$ 823,844 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 12,303 | \$ 7,420 |
| Accrued compensation | 32,990 | 41,588 |
| Accrued expenses | 10,744 | 8,014 |
| Deferred revenue | 73,701 | 69,187 |
| Operating lease liabilities | 4,478 | 4,460 |
| Total current liabilities | 134,216 | 130,669 |
| Other liabilities | | |
| Deferred revenue, non-current | 6,473 | 6,930 |
| Operating lease liabilities, non-current | 8,425 | 9,569 |
| Deferred income tax liabilities | 7,536 | 8,972 |
| Other liabilities, non-current | 232 | 229 |
| Total liabilities | 156,882 | 156,369 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Common stock | 39 | 39 |
| Treasury stock | (148,892) | (128,892) |
| Additional paid-in capital | 557,998 | 537,061 |
| Retained earnings | 277,048 | 259,045 |
| Accumulated other comprehensive gain (loss) | (3,228) | 222 |
| Total stockholders' equity | 682,965 | 667,475 |
| Total liabilities and stockholders' equity | \$ 839,847 | \$ 823,844 |

SPS COMMERCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited; in thousands, except per share amounts)

| | Three Months Ended March 31, | |
|---|---------------------------------|------------|
| | 2024 | 2023 |
| Revenues | \$ 149,576 | \$ 125,868 |
| Cost of revenues | 51,487 | 42,964 |
| Gross profit | 98,089 | 82,904 |
| Operating expenses | | |
| Sales and marketing | 36,432 | 29,083 |
| Research and development | 16,009 | 12,563 |
| General and administrative | 25,907 | 20,677 |
| Amortization of intangible assets | 4,338 | 3,851 |
| Total operating expenses | 82,686 | 66,174 |
| Income from operations | 15,403 | 16,730 |
| Other income, net | 3,132 | 1,276 |
| Income before income taxes | 18,535 | 18,006 |
| Income tax expense | 532 | 2,717 |
| Net income | \$ 18,003 | \$ 15,289 |
| Net income per share | | |
| Basic | \$ 0.49 | \$ 0.42 |
| Diluted | \$ 0.48 | \$ 0.41 |
| Weighted average common shares used to compute net income per share | | |
| Basic | 37,049 | 36,427 |
| Diluted | 37,686 | 37,155 |

SPS COMMERCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

| | Three Months Ended March 31, | |
|---|---------------------------------|-------------------|
| | 2024 | 2023 |
| Cash flows from operating activities | | |
| Net income | \$ 18,003 | \$ 15,289 |
| Reconciliation of net income to net cash provided by operating activities | | |
| Deferred income taxes | (7,070) | (5,147) |
| Depreciation and amortization of property and equipment | 4,694 | 4,626 |
| Amortization of intangible assets | 4,338 | 3,851 |
| Provision for credit losses | 1,408 | 1,206 |
| Stock-based compensation | 20,018 | 11,780 |
| Other, net | (431) | 502 |
| Changes in assets and liabilities | | |
| Accounts receivable | (6,759) | (6,220) |
| Deferred costs | (1,651) | (1,679) |
| Other assets and liabilities | 3,030 | 602 |
| Accounts payable | 5,098 | (4,849) |
| Accrued compensation | (9,518) | (4,417) |
| Accrued expenses | (674) | 721 |
| Deferred revenue | 4,129 | 5,818 |
| Operating leases | (551) | (452) |
| Net cash provided by operating activities | 34,064 | 21,631 |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (3,533) | (5,261) |
| Purchases of investments | (44,412) | (34,329) |
| Maturities of investments | 45,000 | 35,000 |
| Net cash used in investing activities | (2,945) | (4,590) |
| Cash flows from financing activities | | |
| Repurchases of common stock | (16,540) | — |
| Net proceeds from exercise of options to purchase common stock | 1,260 | 2,184 |
| Net proceeds from employee stock purchase plan activity | 391 | 241 |
| Net cash provided by (used in) financing activities | (14,889) | 2,425 |
| Effect of foreign currency exchange rate changes | (674) | (55) |
| Net increase in cash and cash equivalents | 15,556 | 19,411 |
| Cash and cash equivalents at beginning of period | 219,081 | 162,893 |
| Cash and cash equivalents at end of period | \$ 234,637 | \$ 182,304 |

SPS COMMERCE, INC.
NON-GAAP RECONCILIATION
(Unaudited; in thousands, except Margin, Adjusted EBITDA Margin, and per share amounts)

| Adjusted EBITDA | | | |
|--|---|-------------|---------------|
| | Three Months Ended March 31, | | |
| | 2024 | 2023 | |
| Net income | \$ 18,003 | \$ | 15,289 |
| Income tax expense | 532 | | 2,717 |
| Depreciation and amortization of property and equipment | 4,694 | | 4,626 |
| Amortization of intangible assets | 4,338 | | 3,851 |
| Stock-based compensation expense | 20,018 | | 11,780 |
| Realized gain from foreign currency on cash and investments held | (304) | | (137) |
| Investment income | (2,879) | | (1,127) |
| Adjusted EBITDA | <u>\$ 44,402</u> | <u>\$</u> | <u>36,999</u> |

| Adjusted EBITDA Margin | | | |
|-------------------------------|---|-------------|---------------|
| | Three Months Ended March 31, | | |
| | 2024 | 2023 | |
| Revenue | \$ 149,576 | \$ | 125,868 |
| Net income | 18,003 | | 15,289 |
| Margin | 12 % | | 12 % |
| Adjusted EBITDA | <u>44,402</u> | | <u>36,999</u> |
| Adjusted EBITDA Margin | <u>30 %</u> | | <u>29 %</u> |

| Non-GAAP Income per Share | | | |
|--|---|-------------|---------------|
| | Three Months Ended March 31, | | |
| | 2024 | 2023 | |
| Net income | \$ 18,003 | \$ | 15,289 |
| Stock-based compensation expense | 20,018 | | 11,780 |
| Amortization of intangible assets | 4,338 | | 3,851 |
| Realized gain from foreign currency on cash and investments held | (304) | | (137) |
| Income tax effects of adjustments | (9,554) | | (5,909) |
| Non-GAAP income | <u>\$ 32,501</u> | <u>\$</u> | <u>24,874</u> |
| Shares used to compute net income and non-GAAP income per share | | | |
| Basic | 37,049 | | 36,427 |
| Diluted | 37,686 | | 37,155 |
| Net income per share, basic | \$ 0.49 | \$ | 0.42 |
| Non-GAAP adjustments to net income per share, basic | 0.39 | | 0.26 |
| Non-GAAP income per share, basic | <u>\$ 0.88</u> | <u>\$</u> | <u>0.68</u> |
| Net income per share, diluted | \$ 0.48 | \$ | 0.41 |
| Non-GAAP adjustments to net income per share, diluted | 0.38 | | 0.26 |
| Non-GAAP income per share, diluted | <u>\$ 0.86</u> | <u>\$</u> | <u>0.67</u> |