

# **SPS Commerce Investor Presentation**

**Q3'24**





## **Forward-Looking Statements and Non-GAAP Financial Measures**

This presentation contains 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, our positioning for the future, our future performance, and any statements about customers or the global economy and our business prospects, all of which fall 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 presentation 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.

This presentation contains references to historical "Adjusted EBITDA" and "Adjusted EBITDA Margin" which are, in each case, not presented in accordance with generally accepted accounting principles ("GAAP"). Reconciliations to the corresponding GAAP measure is provided in Appendix A of this presentation.

The Company does not present a reconciliation of the forward-looking non-GAAP financial measures, including Adjusted EBITDA and Adjusted EBITDA margin, 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.

# Our Mission & Vision

## Mission

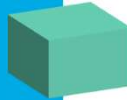
To connect all retail trading partners through the easiest-to-join and use network, freeing them to focus on what they do best.

## Vision

To be **the** world's retail network.

# Investment Highlights

BUILDING BLOCKS FOR THE  
WORLD'S LEADING RETAIL NETWORK



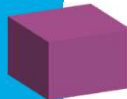
## The World's Largest Cloud Retail Network

120,000+ customers; 1,000+ system partners;  
350,000+ connections; 12,000+ drop ship connections



## Proven Community Go-to-Market Motion

Unique, viral, lead-generation engine



## Industry Leading Products and Solutions

Multiple products to cross-sell and upsell across all retail channels



## Established and Growing Global Footprint

Multinational customers supported by operations in NA, EU, and APAC



## Track Record of Profitable, Sustained Growth

15% or greater annual revenue growth and long term Adjusted EBITDA margin target of 35%



## Large and Expanding Market Opportunity

>\$5 billion TAM

# The Power of the SPS Commerce Network



\* Retailers include brick-and-mortar stores, retailer ecommerce sites, ecommerce-only retailers, grocers and distributors. Within these categories we work with retailers, grocers, distributors, suppliers and logistics firms.

# Our Lead Generation is Viral

## Our Network Flywheel

Tremendous go-to-market leverage from our network model and community.



# Community & Network in Action



# We Support a Global Network of 120,000+ Customers

## Retailers



## Suppliers



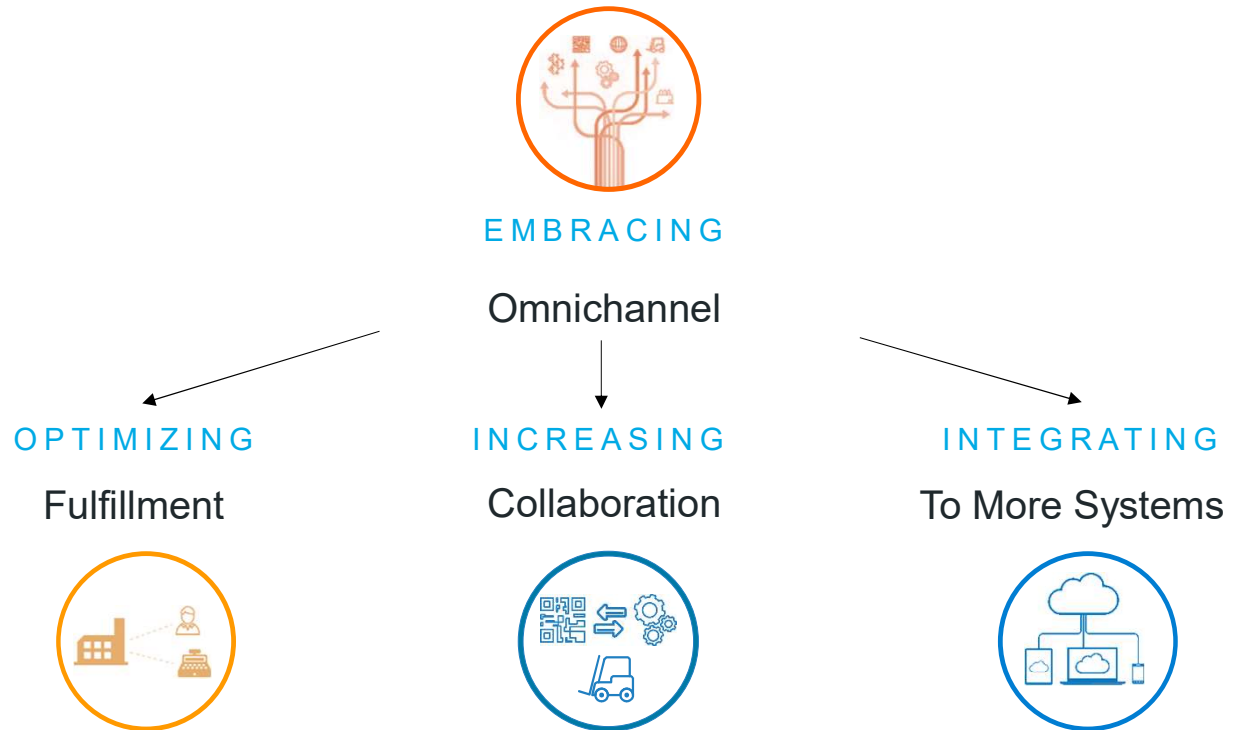
## Channel Partners



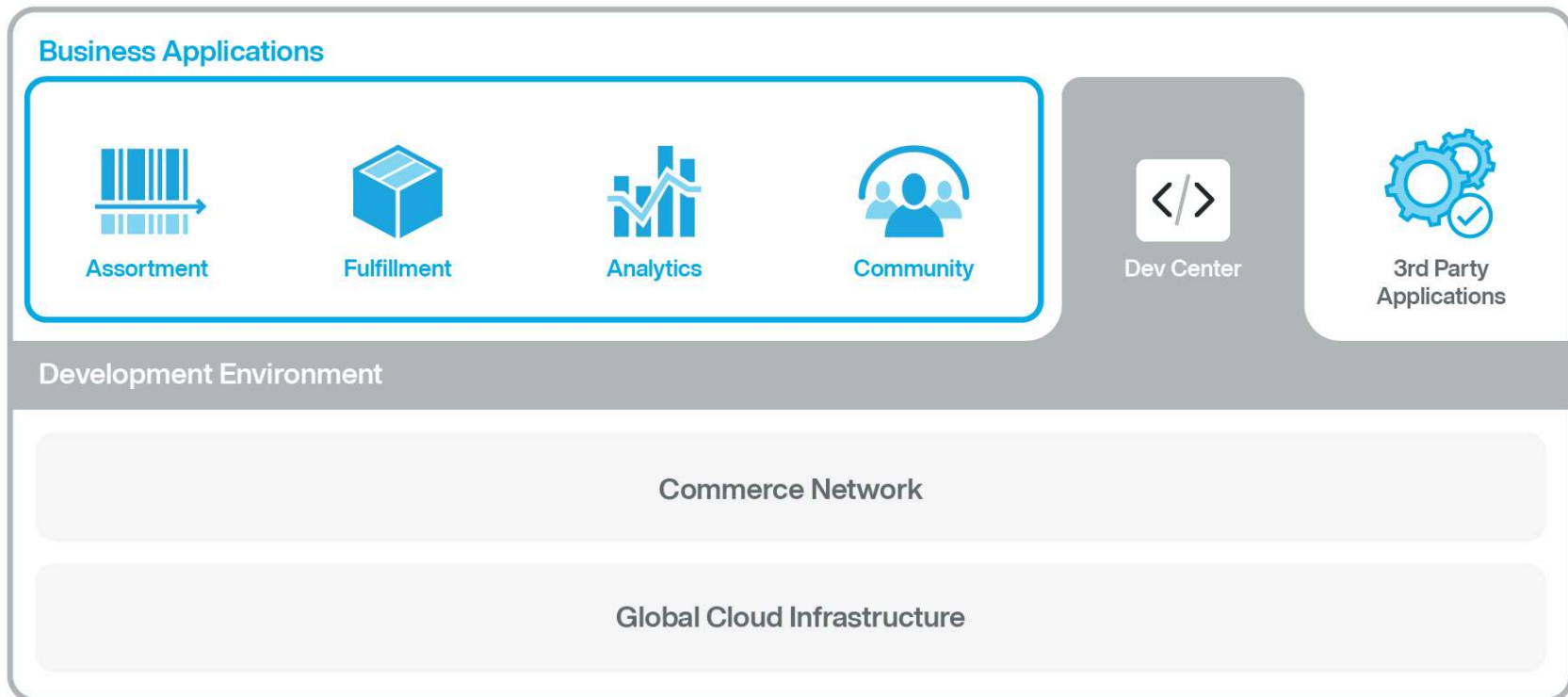


# Industry Evolution Fuels Our Growth

Ever-increasing omnichannel consumer expectations require more efficient, optimized supply chains and systems. This is exactly where our expertise and solutions excel.



# Industry-Leading Products

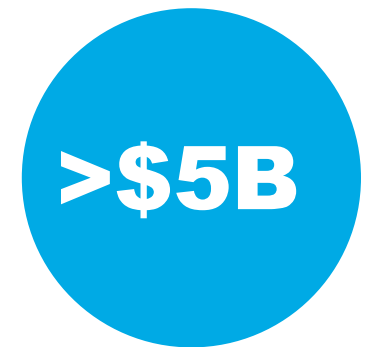


# Generating a Large Global Opportunity

<b>Opportunity</b>	<b>Q3 2024</b>	<b>Future</b>
Recurring Revenue Customers	45,200	<b>200,000</b>
Average Revenue / Customer* <small>(Adding trading partners / size of customer / multiple products)</small>	\$13,700	<b>\$25,000</b>

\* Average recurring revenue per recurring revenue customer, also referred to as "Wallet Share", is calculated by dividing the annualized recurring revenues from recurring revenue customers for the period by the average of the beginning and ending number of recurring revenue customers for the period.

FUTURE OPPORTUNITY



# Inherent Growth Opportunities



## Land new customers & expand network

- Community enablement
- Channel sales
- Marketing



## Increase wallet share

- New trading partner relationships
- Cross-sell products
- Customer size



## Consolidation Opportunities

- Customer
- Product
- Technology
- Geography

# Why We Are Positioned for Continued Growth

- World's largest cloud retail network
- Unique community approach fuels viral lead-generation engine
- Leading products solving needs across all retail channels
- Global footprint with strong presence in key markets
- Track record of profitable and sustained growth
- Multi-billion-dollar market opportunity



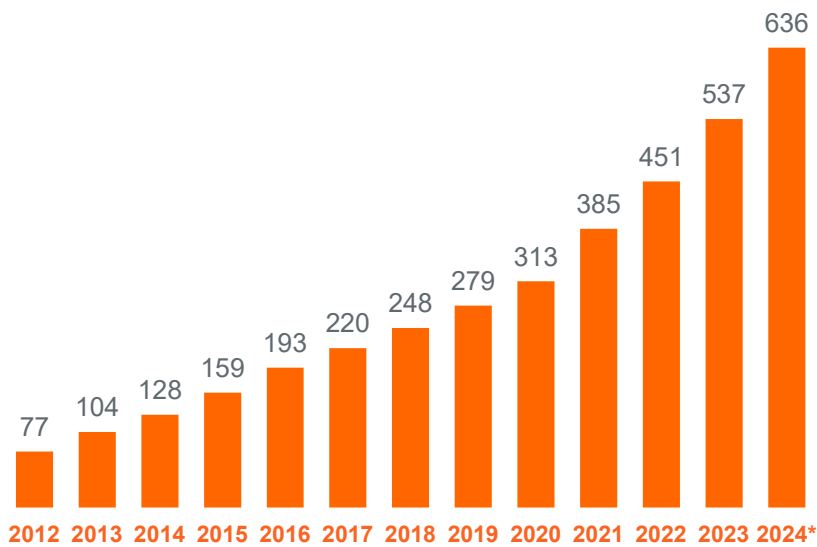
# Operating Model

Attractive durable revenue growth and strong operating leverage

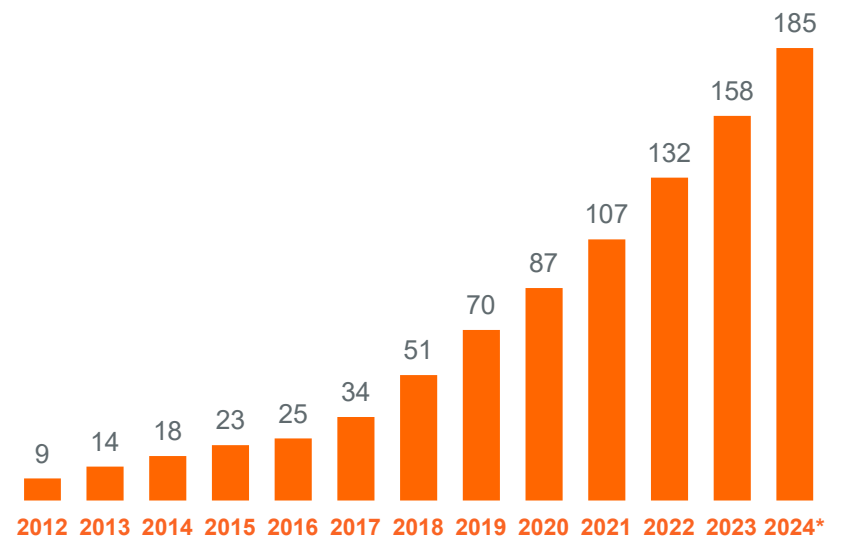
	2023 Actual	Target Model (%)
Revenue Growth	19%	≥ 15%
Gross Margin	66%	Low 70s
Expenses (% of revenue)		
Research & Development	10%	10 – 12%
Sales & Marketing	23%	Low 20s
General & Administrative	16%	10 – 12%
Adjusted EBITDA Margin	29%	35%

# Predictable Revenue & Adjusted EBITDA Growth

Revenue (\$M)



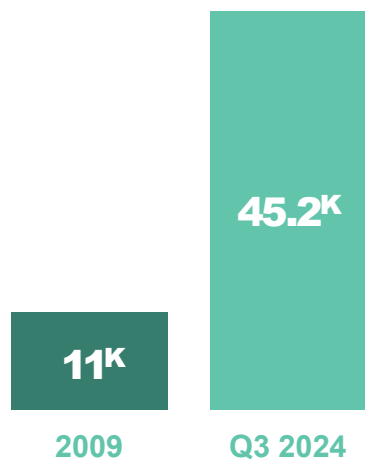
Adjusted EBITDA (\$M)



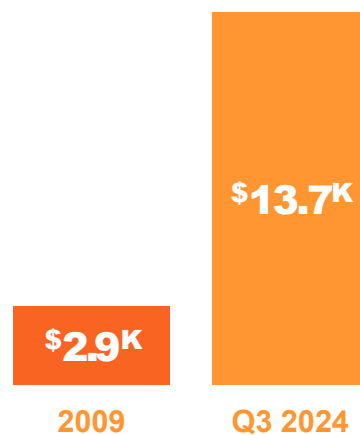
\* 2024 estimate based on midpoint of company guidance provided on October 24, 2024.

# Growth Across Key Metrics

## Recurring Revenue Customers



## Average Revenue / Customer\*



## Total Revenue

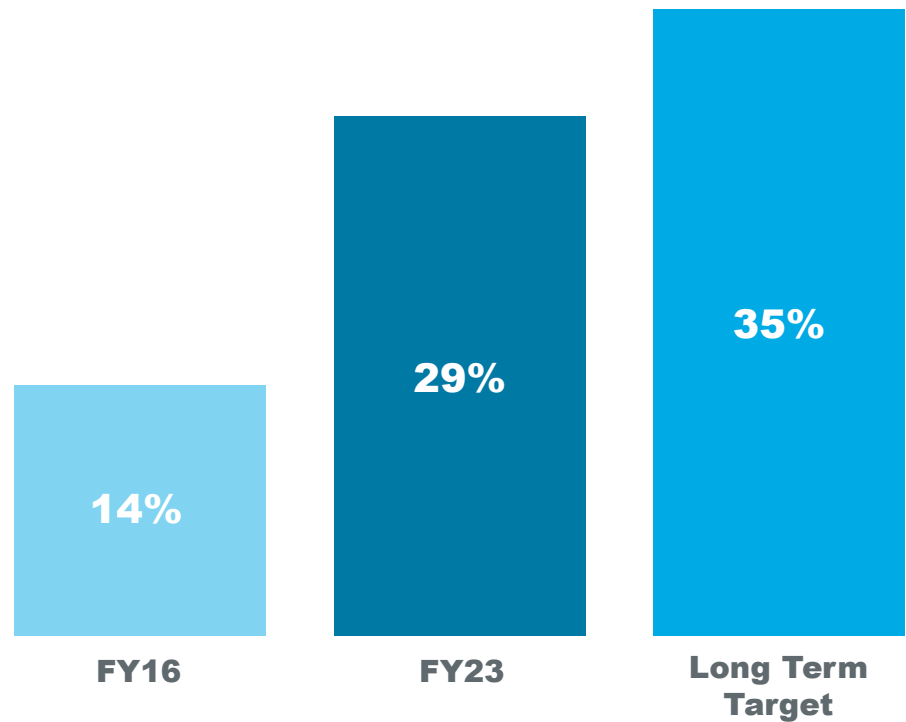


\* Calculated by dividing the annualized recurring revenues from recurring revenue customers for the period (Fiscal 2009 and Q3 2024) by the average of the beginning and ending number of recurring revenue customers for the period (Fiscal 2009 and Q3 2024).

\*\* 2024 estimate based on midpoint of company guidance provided on October 24, 2024.



# Adjusted EBITDA Margin Expansion



Adjusted EBITDA Margin long term target expectation as reiterated on the company's Q3'24 earnings conference call on October 24, 2024.

# Corporate Responsibility – Focus Areas

## Environmental Stewardship

We strive to use our global resources wisely and enable our customers to minimize their own impacts on the environment.



## Diversity, Equity and Inclusion

We strive to create an SPS employee experience where our people feel inspired, empowered and integral to our mission.



## Giving Back

Our global teams are invested in the success of local communities; we encourage volunteerism and support social impact initiatives.



## ESG

Board, executive and functional leadership all contribute to our progress on ESG priorities.



# We Are the World's Largest Retail Network



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**SPS Commerce**



# Appendix A

## Reconciliation of Non-GAAP Financial Measures

- Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP measures of financial performance. 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 consolidated financial statements and are subject to inherent limitations. See corresponding filings with the SEC (Form 10-K or Form 10-Q) for further detail on other adjustments included in non-GAAP financial 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 or loss, 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.
- The following tables provide a reconciliation of net income to Adjusted EBITDA and the calculation of Adjusted EBITDA Margin:

(in thousands)	Year Ended December 31,												
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net income	\$ 65,824	\$ 55,134	\$ 44,597	\$ 45,586	\$ 33,712	\$ 23,872	\$ 351	\$ 4,963	\$ 4,639	\$ 2,704	\$ 1,051	\$ 1,222	\$ 13,703
Income tax expense	19,739	16,190	8,944	7,094	8,358	4,468	3,544	2,755	2,436	1,408	686	121	(12,619)
Depreciation and amortization of property and equipment	18,631	16,421	14,788	13,127	11,123	8,593	7,208	6,598	6,265	5,714	4,893	3,151	2,004
Amortization of intangible assets	16,116	11,768	10,126	5,538	5,315	4,093	4,574	4,738	3,307	2,856	3,158	1,767	643
Stock-based compensation expense	45,508	33,399	27,574	18,936	14,690	12,510	12,727	8,023	6,379	5,396	4,203	2,755	1,768
Realized (gain) loss from foreign currency on cash and investments	(1,726)	1,026	1,456	(1,753)	—	—	—	—	—	—	—	—	—
Investment income	(7,660)	(1,670)	(278)	(1,208)	(2,947)	(2,329)	(1,032)	(601)	(197)	(187)	(112)	(19)	(89)
Discrete impact from tax law change	—	—	—	—	—	—	6,798	—	—	—	—	—	—
Other	1,198	—	(192)	(326)	(488)	94	—	(1,106)	(209)	269	(105)	—	—
Adjusted EBITDA	\$ 157,630	\$ 132,268	\$ 107,015	\$ 86,994	\$ 69,763	\$ 51,301	\$ 34,170	\$ 25,370	\$ 22,620	\$ 18,160	\$ 13,774	\$ 8,997	\$ 5,410

The years ending December 31, 2017 and 2016 were adjusted for ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs – Contracts with Customers (Subtopic 340-40), adopted on January 1, 2018 and retrospectively applied for the two years ended December 31, 2017 and 2016.

(in thousands, except Margin and Adjusted EBITDA Margin)	Year Ended December 31,												
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenue	\$ 536,910	\$ 450,875	\$ 385,276	\$ 312,630	\$ 279,124	\$ 248,240	\$ 220,085	\$ 193,153	\$ 158,518	\$ 127,947	\$ 104,391	\$ 77,106	\$ 57,969
Net Income	65,824	55,134	44,597	45,586	33,712	23,872	351	4,963	4,639	2,704	1,051	1,222	13,703
Margin	12%	12%	12%	15%	12%	10%	0%	3%	3%	2%	1%	2%	24%
Adjusted EBITDA	\$ 157,630	\$ 132,268	\$ 107,015	\$ 86,994	\$ 69,763	\$ 51,301	\$ 34,170	\$ 25,370	\$ 22,620	\$ 18,160	\$ 13,774	\$ 8,997	\$ 5,410
Adjusted EBITDA Margin	29%	29%	28%	28%	25%	21%	16%	13%	14%	14%	13%	12%	9%

## Network Volume

- Disclosed Customers, System Partners, Connections, and Drop Ship Connections represent life to date figures