UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended: June 30, 2024

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from ________ to ________

Commission file number 001-34702

SPS COMMERCE, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**41-2015127**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

333 South Seventh Street, Suite 1000, Minneapolis, MN 55402
(Address of principal executive offices, including Zip Code)

(612) 435-9400
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of 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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's common stock, par value $0.001 per share, outstanding at July 18, 2024 was 37,095,836 shares.

SPS COMMERCE, INC.
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements (unaudited)	3
	Condensed Consolidated Balance Sheets	3
	Condensed Consolidated Statements of Comprehensive Income	4
	Condensed Consolidated Statements of Stockholders' Equity	5
	Condensed Consolidated Statements of Cash Flows	7
	Notes to Condensed Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	28
Item 4.	Controls and Procedures	28
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	29
Item 1A.	Risk Factors	29
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 3.	Defaults Upon Senior Securities	29
Item 4.	Mine Safety Disclosures	29
Item 5.	Other Information	30
Item 6.	Exhibits	30
SIGNATURES		31

Unless the context otherwise requires, for purposes of the Quarterly Report on Form 10-Q, the words "we," "us," "our," the "Company," "SPS," and "SPS Commerce" refer to SPS Commerce, Inc.

PART I. – FINANCIAL INFORMATION

Item 1. Financial Statements

SPS COMMERCE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except shares)	June 30, 2024	December 31, 2023
ASSETS	(unaudited)	
Current assets		
Cash and cash equivalents	$ 240,232	$ 219,081
Short-term investments	31,554	56,359
Accounts receivable	59,355	50,160
Allowance for credit losses	(3,958)	(3,320)
Accounts receivable, net	55,397	46,840
Deferred costs	64,318	62,403
Other assets	15,437	16,758
Total current assets	406,938	401,441
Property and equipment, net	35,083	36,043
Operating lease right-of-use assets	7,076	7,862
Goodwill	268,872	249,176
Intangible assets, net	107,519	107,344
Other assets		
Deferred costs, non-current	20,610	20,347
Deferred income tax assets	7,347	505
Other assets, non-current	1,076	1,126
Total assets	$ 854,521	$ 823,844
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 5,877	$ 7,420
Accrued compensation	32,236	41,588
Accrued expenses	9,446	8,014
Deferred revenue	76,393	69,187
Operating lease liabilities	4,594	4,460
Total current liabilities	128,546	130,669
Other liabilities		
Deferred revenue, non-current	7,111	6,930
Operating lease liabilities, non-current	7,751	9,569
Deferred income tax liabilities	7,012	8,972
Other liabilities, non-current	680	229
Total liabilities	151,100	156,369
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.001 par value; 5,000,000 shares authorized; 0 shares issued and outstanding	—	—
Common stock, $0.001 par value; 110,000,000 shares authorized; 39,419,726 and 38,971,146 shares issued; and 37,086,627 and 36,820,048 shares outstanding, respectively	39	39
Treasury stock, at cost; 2,333,099 and 2,151,098 shares, respectively	(162,187)	(128,892)
Additional paid-in capital	574,842	537,061
Retained earnings	295,080	259,045
Accumulated other comprehensive gain (loss)	(4,353)	222
Total stockholders' equity	703,421	667,475
Total liabilities and stockholders' equity	$ 854,521	$ 823,844

See accompanying notes to these condensed consolidated financial statements.

SPS COMMERCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share amounts) (unaudited)	**2024**	**2023**	**2024**	**2023**
Revenues	$ 153,596	$ 130,416	$ 303,172	$ 256,284
Cost of revenues	52,018	44,544	103,505	87,508
Gross profit	101,578	85,872	199,667	168,776
Operating expenses				
Sales and marketing	35,691	30,349	72,123	59,433
Research and development	14,366	13,318	30,375	25,880
General and administrative	23,516	21,693	49,423	42,369
Amortization of intangible assets	4,840	3,479	9,178	7,330
Total operating expenses	78,413	68,839	161,099	135,012
Income from operations	23,165	17,033	38,568	33,764
Other income, net	4,056	1,882	7,188	3,157
Income before income taxes	27,221	18,915	45,756	36,921
Income tax expense	9,189	4,233	9,721	6,950
Net income	$ 18,032	$ 14,682	$ 36,035	$ 29,971
Other comprehensive income (expense)				
Foreign currency translation adjustments	(901)	1,615	(4,218)	1,520
Unrealized gain on investments, net of tax of $164, $136, $335 and $269, respectively	491	408	1,004	806
Reclassification of gain on investments into earnings, net of tax of $(238), $(127), $(454) and $(252), respectively	(715)	(381)	(1,361)	(757)
Total other comprehensive income (expense)	(1,125)	1,642	(4,575)	1,569
Comprehensive income	$ 16,907	$ 16,324	$ 31,460	$ 31,540
Net income per share				
Basic	$ 0.49	$ 0.40	$ 0.97	$ 0.82
Diluted	$ 0.48	$ 0.39	$ 0.96	$ 0.80
Weighted average common shares used to compute net income per share				
Basic	37,078	36,593	37,063	36,511
Diluted	37,683	37,426	37,690	37,327

See accompanying notes to these condensed consolidated financial statements.

SPS COMMERCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except shares) (unaudited)	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances, March 31, 2023	36,532,756	$ 39	2,151,098	$ (128,892)	$ 489,716	$ 208,510	$ (3,484)	$ 565,889
Stock-based compensation	—	—	—	—	12,237	—	—	12,237
Shares issued pursuant to stock awards	78,387	—	—	—	2,636	—	—	2,636
Employee stock purchase plan activity	35,676	—	—	—	3,895	—	—	3,895
Net income	—	—	—	—	—	14,682	—	14,682
Foreign currency translation adjustments	—	—	—	—	—	—	1,615	1,615
Unrealized gain on investments, net of tax	—	—	—	—	—	—	408	408
Reclassification of gain on investments into earnings, net of tax	—	—	—	—	—	—	(381)	(381)
Balances, June 30, 2023	36,646,819	$ 39	2,151,098	$ (128,892)	$ 508,484	$ 223,192	$ (1,842)	$ 600,981
Balances, March 31, 2024	37,049,001	$ 39	2,260,578	$ (148,892)	$ 557,998	$ 277,048	$ (3,228)	$ 682,965
Stock-based compensation	—	—	—	—	10,793	—	—	10,793
Shares issued pursuant to stock awards	79,962	—	—	—	1,054	—	—	1,054
Employee stock purchase plan activity	30,185	—	—	—	4,828	—	—	4,828
Repurchases of common stock, net of costs	(95,395)	—	95,395	(17,483)	—	—	—	(17,483)
Reissuances of treasury stock	22,874	—	(22,874)	4,188	169	—	—	4,357
Net income	—	—	—	—	—	18,032	—	18,032
Foreign currency translation adjustments	—	—	—	—	—	—	(901)	(901)
Unrealized gain on investments, net of tax	—	—	—	—	—	—	491	491
Reclassification of gain on investments into earnings, net of tax	—	—	—	—	—	—	(715)	(715)
Balances, June 30, 2024	37,086,627	$ 39	2,333,099	$ (162,187)	$ 574,842	$ 295,080	$ (4,353)	$ 703,421

(in thousands, except shares) (unaudited)	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Gain (Loss)	Total Stockholders' Equity
Balances, December 31, 2022	36,158,046	$ 38	2,151,098	$ (128,892)	$ 476,117	$ 193,221	$ (3,411)	$ 537,073
Stock-based compensation	—	—	—	—	23,412	—	—	23,412
Shares issued pursuant to stock awards	450,548	1	—	—	4,819	—	—	4,820
Employee stock purchase plan activity	38,225	—	—	—	4,136	—	—	4,136
Net income	—	—	—	—	—	29,971	—	29,971
Foreign currency translation adjustments	—	—	—	—	—	—	1,520	1,520
Unrealized gain on investments, net of tax	—	—	—	—	—	—	806	806
Reclassification of gain on investments into earnings, net of tax	—	—	—	—	—	—	(757)	(757)
Balances, June 30, 2023	36,646,819	$ 39	2,151,098	$ (128,892)	$ 508,484	$ 223,192	$ (1,842)	$ 600,981
Balances, December 31, 2023	36,820,048	$ 39	2,151,098	$ (128,892)	$ 537,061	$ 259,045	$ 222	$ 667,475
Stock-based compensation	—	—	—	—	30,078	—	—	30,078
Shares issued pursuant to stock awards	415,997	—	—	—	2,315	—	—	2,315
Employee stock purchase plan activity	32,583	—	—	—	5,219	—	—	5,219
Repurchases of common stock, net of costs	(204,875)	—	204,875	(37,483)	—	—	—	(37,483)
Reissuances of treasury stock	22,874	—	(22,874)	4,188	169	—	—	4,357
Net income	—	—	—	—	—	36,035	—	36,035
Foreign currency translation adjustments	—	—	—	—	—	—	(4,218)	(4,218)
Unrealized gain on investments, net of tax	—	—	—	—	—	—	1,004	1,004
Reclassification of gain on investments into earnings, net of tax	—	—	—	—	—	—	(1,361)	(1,361)
Balances, June 30, 2024	37,086,627	$ 39	2,333,099	$ (162,187)	$ 574,842	$ 295,080	$ (4,353)	$ 703,421

See accompanying notes to these condensed consolidated financial statements..

SPS COMMERCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands) (unaudited)	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash flows from operating activities		
Net income	$ 36,035	$ 29,971
Reconciliation of net income to net cash provided by operating activities		
Deferred income taxes	(8,172)	(8,654)
Depreciation and amortization of property and equipment	9,377	9,289
Amortization of intangible assets	9,178	7,330
Provision for credit losses	3,646	2,491
Stock-based compensation	31,512	24,661
Other, net	(907)	1,143
Changes in assets and liabilities, net of effects of acquisitions		
Accounts receivable	(11,407)	(9,937)
Deferred costs	(1,996)	(5,136)
Other assets and liabilities	1,899	3,614
Accounts payable	(1,450)	(4,414)
Accrued compensation	(10,763)	(2,910)
Accrued expenses	1,489	(728)
Deferred revenue	5,965	9,909
Operating leases	(900)	(959)
Net cash provided by operating activities	63,506	55,670
Cash flows from investing activities		
Purchases of property and equipment	(8,592)	(9,769)
Purchases of investments	(78,994)	(68,579)
Maturities of investments	105,000	60,000
Acquisition of businesses, net	(29,343)	—
Net cash used in investing activities	(11,929)	(18,348)
Cash flows from financing activities		
Repurchases of common stock	(37,483)	—
Net proceeds from exercise of options to purchase common stock	2,314	4,819
Net proceeds from employee stock purchase plan activity	5,219	4,136
Net cash provided by (used in) financing activities	(29,950)	8,955
Effect of foreign currency exchange rate changes	(476)	94
Net increase in cash and cash equivalents	21,151	46,371
Cash and cash equivalents at beginning of period	219,081	162,893
Cash and cash equivalents at end of period	$ 240,232	$ 209,264

See accompanying notes to these condensed consolidated financial statements.

SPS COMMERCE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE A – General

Business Description

SPS Commerce is a leading provider of cloud-based supply chain management services across our global retail network. Our products make it easier for retailers, grocers, distributors, suppliers, and logistics firms to communicate and collaborate by simplifying how they manage and share item, inventory, order and sales data across omnichannel retail channels. We deliver our products using a full-service model, which includes industry-leading technology and a team of experts that optimize, update, and operate the technology on customers' behalf.

Our products enable customers to increase supply chain performance, optimize inventory levels and sell-through, reduce operational costs, improve order visibility, and satisfy consumer demands for a seamless omnichannel experience.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of SPS Commerce, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

This interim financial information has been prepared under the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, these condensed consolidated financial statements do not include all of the information and notes required by GAAP. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission ("SEC"). We have included all normal recurring adjustments considered necessary to provide a fair presentation of our financial position, results of operations, stockholders' equity, and cash flows for the interim periods presented. Operating results for these interim periods are not necessarily indicative of the results to be expected for the full year.

Use of Estimates

Preparing financial statements in conformity with GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Significant Accounting Policies

There were no material changes in our significant accounting policies during the six months ended June 30, 2024. See Note A to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC, for additional information regarding our significant accounting policies.

Accounting Pronouncements Recently Issued and Adopted

Standard	Date of Issuance	Description	Date of Adoption	Effect on the Financial Statements
ASU 2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures	November 2023	This amendment requires that an entity disclose significant segment expenses impacting profit and loss that are regularly provided to the chief operating decision maker.	2024	The adoption will result in additional disclosure in our Annual Report on Form 10-K for the year ended December 31, 2024.
ASU 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures	December 2023	This amendment requires that an entity disclose specific categories in the effective tax rate reconciliation table as well as provide disclosure of disaggregated information related to income tax expense, income before income taxes, and income taxes paid.	2025	We are currently evaluating the adoption on our financial statements and anticipate the impact will result in additional disclosure.

NOTE B – Business Acquisitions

Traverse Systems

Effective May 8, 2024, we entered into an asset purchase agreement to acquire certain assets of Traverse Systems LLC ("Traverse Systems"), an industry-leading provider in retailer supply chain performance and vendor management. Total consideration transferred at close was $29.4 million, subject to customary post-close adjustments, which was comprised of $25.0 million paid in cash and 22,874 shares of SPS common stock (valued at $4.4 million, determined based on the opening price of SPS common stock at acquisition date). The shares were issued from SPS treasury shares, see Note J - *Stockholders' Equity* for further detail on the treasury share reissuance.

We accounted for the acquisition as a business combination. We allocated the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. Assets acquired primarily comprised of subscriber relationships and developed technology intangible assets, totaling $7.7 million and $3.6 million of estimated fair value, respectively, and $18.4 million was allocated to goodwill based on preliminary measurement. The remainder of the consideration transferred was allocated to net assets acquired other than the intangible assets. The purchase accounting for the acquisition has not been finalized as of June 30, 2024; provisional amounts are primarily related to intangible assets. We will finalize the allocation of the purchase price within the one-year measurement period following the acquisition. The goodwill associated with the acquisition is deductible for income tax purposes.

TIE Kinetix

Effective September 13, 2023, we acquired all of the outstanding equity ownership interests of TIE Kinetix Holding B.V. ("TIE Kinetix"), a leading provider of supply chain digitalization including EDI and e-invoicing in Europe and the United States ("U.S."). Pursuant to the definitive agreement, the purchase price was €63.9 million ($68.7 million at the September 13, 2023 exchange rate), net of cash acquired. The purchase accounting for the acquisition was finalized as of June 30, 2024. The goodwill associated with the acquisition is not deductible for income tax purposes.

Purchase Price Allocation

We accounted for the acquisition as a business combination. We allocated the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date.

The following table presents the purchase consideration and fair values of acquired assets and liabilities recorded in the Company's condensed consolidated balance sheet as of the acquisition date:

(in thousands)		
Cash paid	$	73,558
Estimated fair value of assets and liabilities acquired:		
Cash	$	4,859
Accounts receivable		1,311
Other assets		3,717
Intangible assets		
Subscriber relationships		24,952
Developed technology		9,349
Current liabilities		(3,838)
Deferred revenue		(6,421)
Deferred income tax liabilities, net		(6,791)
Total fair value of assets and liabilities acquired	$	27,138
Goodwill	$	46,420

The following table summarizes the estimated useful lives for each acquired intangible asset:

	Estimated Useful Life
Subscriber relationships	8.0 years
Developed technology	7.0 years

Other Acquisition Activity

Effective April 10, 2024, the Company entered into an asset purchase agreement to acquire Vision33's SAP Business One SPS Integration Technology. Pursuant to the definitive agreement, the purchase price, denominated in Canadian dollars ("CAD"), was $5.8 million CAD ($4.3 million U.S. dollars ["USD"] at the Agreement date exchange rate), of which $4.5 million CAD ($3.3 million USD) was paid in cash at close, with the remainder payable in cash within two years, subject to certain closing conditions. Assets acquired were primarily comprised of developed technology and subscriber relationships, totaling $1.7 million USD and $0.4 million USD of estimated fair value, respectively. The remainder of the consideration transferred, $2.2 million USD, was allocated to goodwill. The goodwill associated with the acquisition is deductible for income tax purposes.

NOTE C – Revenue

We derive our revenues from the following revenue streams:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Recurring revenues:				
Fulfillment	$ 125,512	$ 105,500	$ 247,365	$ 207,169
Analytics	13,510	12,709	27,524	25,079
Other	4,959	3,314	8,776	6,576
Recurring revenues	143,981	121,523	283,665	238,824
One-time revenues	9,615	8,893	19,507	17,460
Total revenue	$ 153,596	$ 130,416	$ 303,172	$ 256,284

Revenues are the amount that reflects the consideration we are contractually and legally entitled to, as well as the amount we expect to collect, in exchange for those services.

Revenue by Geographic Area

Domestic revenue, which we define as revenue that was attributable to customers based within the U.S., was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Domestic revenue	83 %	84 %	83 %	84 %

No single jurisdiction outside of the U.S. had revenues in excess of 10%.

Recurring Revenues

Recurring revenues consist of recurring subscriptions from customers that utilize our Fulfillment, Analytics, and Other supply chain management products. Revenue for these products is generally recognized on a ratable basis over the contract term beginning on the date that our service is made available to the customer. Our contracts with our recurring revenue customers are recurring in nature, generally ranging from monthly to annual, and generally allow the customer to cancel the contract for any reason with 30 to 90 days' notice. Timing of billings varies by customer and by contract type and generally are either in advance or within 30 days of the service being performed.

Given that the recurring revenue contracts are for one year or less, we have applied the optional exemption to not disclose information about the remaining performance obligations for recurring revenue contracts.

One-time Revenues

One-time revenues consist of set-up fees and miscellaneous fees from customers.

Set-up revenues

Set-up fees are specific for each connection a customer has with a trading partner. These nonrefundable fees are necessary for our customers to utilize our services and do not provide any standalone value. Many of our customers have connections with numerous trading partners.

Set-up fees constitute a material renewal option right that provide customers a significant future incentive that would not be otherwise available to that customer unless they entered into the contract, as the set-up fees will not be incurred again upon contract renewal. As such, set-up fees and related costs are deferred and recognized ratably generally over two years which is the estimated period for which a material right is present for our customers.

The table below presents the activity of the portion of the deferred revenue liability relating to set-up fees:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Balance, beginning of period	$ 17,418	$ 15,287	$ 17,603	$ 14,999
Invoiced set-up fees	5,353	5,739	9,520	9,990
Recognized set-up fees	(4,411)	(4,048)	(8,763)	(8,011)
Balance, end of period	$ 18,360	$ 16,978	$ 18,360	$ 16,978

Miscellaneous one-time revenues

Miscellaneous one-time fees consist of professional services and testing and certification.

The contract period for these one-time fees is for one year or less and recognized at the time service is provided. We have applied the optional exemption to not disclose information about the remaining performance obligations for miscellaneous one-time fee contracts since they have original durations of one year or less.

NOTE D – Deferred Costs

The deferred costs activity was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Balance, beginning of period	$ 84,248	$ 71,809	$ 82,750	$ 70,179
Incurred deferred costs	23,022	19,304	44,952	37,538
Amortized deferred costs	(22,342)	(15,858)	(42,774)	(32,462)
Balance, end of period	$ 84,928	$ 75,255	$ 84,928	$ 75,255

NOTE E – Fair Value Measurements

Cash equivalents and investments, as measured at fair value on a recurring basis, consisted of the following:

	June 30, 2024				December 31, 2023			
(in thousands)	Fair Value Level	Amortized Cost	Unrealized Gains (Losses), net	Fair Value	Fair Value Level	Amortized Cost	Unrealized Gains (Losses), net	Fair Value
Cash equivalents:								
Money market funds	Level 1	$ 187,559	$ —	$ 187,559	Level 1	$ 161,233	$ —	$ 161,233
Investments:								
Certificates of deposit	Level 2	6,666	—	6,666	Level 1	6,805	—	6,805
Marketable securities:								
Commercial paper	Level 2	24,669	219	24,888	Level 2	48,860	694	49,554
		$ 218,894	$ 219	$ 219,113		$ 216,898	$ 694	$ 217,592

NOTE F – Allowance for Credit Losses

The allowance for credit losses activity, included in accounts receivable, net, was as follows:

	Six Months Ended June 30,	
(in thousands)	2024	2023
Balance, beginning of period	$ 3,320	$ 3,066
Provision for credit losses	3,646	2,491
Write-offs, net of recoveries	(3,008)	(2,457)
Balance, end of period	$ 3,958	$ 3,100

NOTE G – Property and Equipment, Net

Property and equipment, net consisted of the following:

(in thousands)	June 30, 2024	December 31, 2023
Internally developed software	$ 64,731	$ 60,396
Computer equipment	35,205	34,402
Leasehold improvements	15,363	15,387
Office equipment and furniture	10,883	10,966
Property and equipment, cost	126,182	121,151
Less: accumulated depreciation and amortization	(91,099)	(85,108)
Total property and equipment, net	$ 35,083	$ 36,043

Property and equipment, net located at subsidiary and office locations outside of the U.S. was as follows:

	June 30, 2024	December 31, 2023
International property and equipment	17 %	15 %

NOTE H – Goodwill and Intangible Assets, Net

Goodwill

The activity in goodwill was as follows:

(in thousands)	Six Months Ended June 30, 2024
Balance, beginning of period	$ 249,176
Addition from business acquisitions	20,564
Foreign currency translation	(2,685)
Remeasurement from provisional purchase accounting amount	1,817
Balance, end of period	$ 268,872

Intangible Assets

Intangible assets, net consisted of the following:

	June 30, 2024				
($ in thousands)	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation	Net	Weighted Average Remaining Amortization Period
Subscriber relationships	$ 109,923	$ (37,983)	$ (851)	$ 71,089	6.5 years
Developed technology	56,018	(19,217)	(371)	36,430	5.1 years
	$ 165,941	$ (57,200)	$ (1,222)	$ 107,519	6.0 years

	December 31, 2023				
($ in thousands)	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation	Net	Weighted Average Remaining Amortization Period
Subscriber relationships	$ 105,228	$ (32,097)	$ 724	$ 73,855	6.6 years
Developed technology	48,843	(15,669)	315	33,489	5.0 years
	$ 154,071	$ (47,766)	$ 1,039	$ 107,344	6.1 years

The estimated future annual amortization expense related to intangible assets is as follows:

(in thousands)	
Remainder of 2024	$ 9,908
2025	19,689
2026	18,685
2027	18,211
2028	16,873
Thereafter	24,153
Total future amortization	$ 107,519

NOTE I – Commitments and Contingencies

Leases

The components of lease expense were as follows:

(in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Operating lease cost	$ 798	$ 779	$ 1,612	$ 1,578
Variable lease cost	965	950	1,919	1,878
	$ 1,763	$ 1,729	$ 3,531	$ 3,456

Supplemental cash flow information related to leases was as follows:

(in thousands)	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 2,423	$ 1,329
Right-of-use assets obtained in exchange for operating lease liabilities	533	268

Supplemental balance sheet information related to operating leases was as follows:

	June 30, 2024	December 31, 2023
Weighted-average remaining lease term	2.8 years	3.1 years
Weighted-average discount rate	4.1 %	4.0 %

At June 30, 2024, our future minimum payments under operating leases were as follows:

(in thousands)	
Remainder of 2024	$ 3,047
2025	4,307
2026	4,082
2027	1,435
Thereafter	222
Total future gross payments	$ 13,093
Less: imputed interest	(748)
Total operating lease liabilities	$ 12,345

Purchase Commitments

We have entered into separate noncancelable agreements with computing infrastructure, productivity software, customer relationship management, and performance and security data analytics vendors for services through 2026. At June 30, 2024, our remaining purchase commitments and estimated purchase timing were as follows:

(in thousands)	
Remainder of 2024	$ 5,779
2025	14,187
2026	5,244
Total estimated future purchases	$ 25,210

NOTE J – Stockholders' Equity

Share Repurchase Programs

Our board of directors has authorized a program to repurchase our common stock. Details of the program and activity thereunder through June 30, 2024 were as follows:

(in thousands)	Effective Date	Expiration Date	Share Value Authorized for Repurchase	Share Value Repurchased	Unused & Expired Share Repurchase Value	Share Value Available for Future Repurchase
2022 Program	August 2022	July 2024	$ 50,000	$ 40,471	N/A	$ 9,529

Share repurchases are accounted for as the trade date occurs and are reflected in the condensed consolidated financial statements net of the costs incurred to acquire the shares. Share repurchases that have not yet settled in cash are included in accrued expenses in the condensed consolidated balance sheet. The share repurchase activity by period was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except shares and per share amounts)	2024	2023	2024	2023
Number of shares repurchased	95,395	—	204,875	—
Total share repurchased cost	$ 17,483	$ —	$ 37,483	$ —
Average total cost per repurchased share	$ 183.27	$ —	$ 182.96	$ —

On July 24, 2024 (announced July 25, 2024), our board of directors authorized a program to repurchase up to $100.0 million of our common stock, excluding costs to obtain. Under the program, purchases may be made from time to time in the open market or in privately negotiated purchases, or both. The share repurchase program will become effective August 23, 2024 and expires on July 24, 2026.

Treasury Stock Reissuance

In connection with the acquisition of Traverse Systems, the Company re-issued treasury shares as part of the purchase consideration (see *Note B – Business Combinations* for further information). Treasury stock reissuances are accounted for using the specific identification method, with gains (or losses to the extent of previously recognized gains) recognized in additional paid-in capital and any remaining loss recorded in retained earnings.

NOTE K – Stock-Based Compensation

Our equity compensation plans provide for the grant of incentive and nonqualified stock options, as well as other stock-based awards including performance share units ("PSUs"), restricted stock awards ("RSAs"), restricted stock units ("RSUs"), and deferred stock units ("DSUs"), to employees, non-employee directors and other consultants who provide services to us. We also provide an employee stock purchase plan ("ESPP") and 401(k) match to eligible participants.

We recognize stock-based compensation expense based on grant date award fair value. This cost is recognized over the period for which the employee is required to provide service in exchange for the award or the award performance period, except for expenses relating to retirement-eligible employees. If retirement-eligible employees have not given their required notice, expense is recognized on a pro-rata basis over the notice period prior to retirement; if they have given their notice, expense is recognized over the notice period; if they have given their notice and completed the notice period, expense is recognized upon grant. At June 30, 2024, there were 12.3 million shares available for grant under approved equity compensation plans.

Stock-based compensation expense was allocated in the condensed consolidated statements of comprehensive income as follows:

(in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cost of revenues	$ 2,730	$ 2,586	$ 6,812	$ 5,089
Operating expenses				
Sales and marketing	2,512	2,528	6,956	4,951
Research and development	1,820	1,812	5,062	3,589
General and administrative	4,432	5,955	12,682	11,032
	$ 11,494	$ 12,881	$ 31,512	$ 24,661

Stock-based compensation expense by grant type or plan was as follows:

(in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Stock options	$ 506	$ 494	$ 1,003	$ 985
PSUs	2,445	3,499	4,890	7,424
RSUs & DSUs	6,952	7,381	22,443	13,443
RSAs	89	115	215	223
ESPP	802	748	1,523	1,337
401(k) stock match	700	644	1,438	1,249
	$ 11,494	$ 12,881	$ 31,512	$ 24,661

As of June 30, 2024, there was $74.8 million of unrecognized stock-based compensation expense under our equity compensation plans, which is expected to be recognized on a primarily straight-line basis over a weighted average period of 2.6 years.

Stock Options

Our stock option activity was as follows:

	Six Months Ended June 30, 2024	
	Options (#)	Weighted Average Exercise Price ($/share)
Outstanding, beginning of period	346,822	$ 80.02
Granted	33,930	196.37
Exercised	(48,400)	47.83
Forfeited	(760)	167.08
Outstanding, end of period	331,592	$ 96.43

Of the total outstanding options at June 30, 2024, 0.3 million were exercisable. The outstanding and exercisable options had a weighted average exercise price of $77.15 per share and a weighted average remaining contractual life of 3.0 years.

The weighted average grant date fair value of options granted during the six months ended June 30, 2024 was $69.86 per share. This was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

Life (in years)	4.1
Volatility	36.7 %
Dividend yield	—
Risk-free interest rate	4.3 %

Performance Share Units, Restricted Stock Units and Awards, and Deferred Stock Units

In each of the quarters ended March 31, 2024, 2023, 2022, and 2021 we granted PSU awards with a target performance level. These awards are earned based upon our Company's total shareholder return as compared to an indexed total shareholder return over the course of a fiscal based three-year performance period, starting in the year of grant. Earned awards vest in the quarter following the conclusion of the performance period. In the three months ended March 31, 2024, PSU awards granted in 2021 vested at the maximum performance level and 0.1 million shares of common stock were issued.

Activity for our PSUs, RSUs, RSAs, and DSUs in aggregate was as follows:

	Six Months Ended June 30, 2024	
	#	Weighted Average Grant Date Fair Value ($/share)
Outstanding, beginning of period	773,414	$ 147.50
Granted	324,896	179.31
Vested and common stock issued	(366,823)	124.01
Forfeited	(3,423)	154.70
Outstanding, end of period	728,064	$ 173.50

The number of PSUs, RSUs, RSAs, and DSUs outstanding at June 30, 2024 included less than 0.1 million units that have vested, but the shares of common stock have not yet been issued, pursuant to the terms of the underlying agreements.

Employee Stock Purchase Plan

Our ESPP activity was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except shares)	**2024**	**2023**	**2024**	**2023**
Amounts for shares purchased	$ 4,828	$ 3,895	$ 5,219	$ 4,136
Shares purchased	30,185	35,676	32,583	38,225

A total of 1.6 million shares of common stock are reserved for issuance under the plan at June 30, 2024.

The fair value was estimated based on the market price of our common stock at the beginning of the offering period using the following assumptions:

Life (in years)	0.5
Volatility	30.9 %
Dividend yield	—
Risk-free interest rate	5.3 %

NOTE L – Income Taxes

We record our interim provision for income taxes by applying our estimated annual effective tax rate to our year-to-date pre-tax income and adjust the provision for discrete tax items recorded in the period. Our provisions for income taxes includes current federal, state, and foreign income tax expense, as well as deferred tax expense.

Differences between our effective tax rate and statutory tax rates are primarily due to the impact of permanently non-deductible expenses partially offset by the federal research and development credits and tax benefits associated with foreign-derived intangible income. Additionally, excess tax benefits generated upon settlement or exercise of stock awards are recognized as a reduction to income tax expense as a discrete tax item in the quarter that the event occurs, creating potentially significant fluctuation in tax expense by quarter and by year.

NOTE M – Other Income and Expense

Other income, net included the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Investment income	$ 2,794	$ 1,611	$ 5,673	$ 2,737
Realized gain from foreign currency on cash and investments held	1,255	290	1,559	427
Other income (expense), net	7	(19)	(44)	(7)
Total other income, net	$ 4,056	$ 1,882	$ 7,188	$ 3,157

NOTE N – Net Income Per Share

The components and computation of basic and diluted net income per share were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share amounts)	**2024**	**2023**	**2024**	**2023**
Numerator				
Net income	$ 18,032	$ 14,682	$ 36,035	$ 29,971
Denominator				
Weighted average common shares outstanding, basic	37,078	36,593	37,063	36,511
Options to purchase common stock and ESPP	157	274	167	291
PSUs, RSUs, RSAs, and DSUs	448	559	460	525
Weighted average common shares outstanding, diluted	37,683	37,426	37,690	37,327
Net income per share				
Basic	$ 0.49	$ 0.40	$ 0.97	$ 0.82
Diluted	$ 0.48	$ 0.39	$ 0.96	$ 0.80

The number of outstanding potential common shares that were excluded from the calculation of diluted net income per share as they were anti-dilutive was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Anti-dilutive shares	276	37	227	63

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2023. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward looking statements regarding us, our business prospects and our results of operations are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. In some cases, you can identify forward-looking statements by the following words: "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," "will," "would," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. Similarly, statements that describe our future plans, objectives or goals are also forward-looking. Forward-looking statements may also be made from time to time in oral presentations, including telephone conferences and/or webcasts open to the public. Shareholders, potential investors, and others are cautioned that all forward-looking statements involve risks and uncertainties that could cause results in future periods to differ materially from those anticipated by some of the statements made in this report, including the risks and uncertainties described under the heading "Risk Factors" appearing in our Annual Report on Form 10-K for the year ended December 31, 2023, as may be updated in our subsequent Quarterly Reports on Form 10-Q from time to time. We expressly disclaim any intent or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC that advise interested parties of the risks and factors that may affect our business.

Overview

SPS Commerce is a leading provider of cloud-based supply chain management services across our global retail network. Our products make it easier for retailers, grocers, distributors, suppliers, and logistics firms to communicate and collaborate by simplifying how they manage and share item, inventory, order and sales data across omnichannel retail channels. We deliver our products using a full-service model, which includes industry-leading technology and a team of experts that optimize, update, and operate the technology on customers' behalf.

Our products enable customers to increase supply chain performance, optimize inventory levels and sell-through, reduce operational costs, improve order visibility, and satisfy consumer demands for a seamless omnichannel experience.

We plan to continue to grow our business by further penetrating the supply chain management market, increasing revenues from our customers as their businesses grow, expanding our distribution channels, expanding our international presence and, from time to time, developing new products and applications. We also intend to selectively pursue acquisitions that will add customers, allow us to expand into new regions, or allow us to offer new functionalities.

Key Financial Terms, Metrics and Non-GAAP Measures

We have several key financial terms, metrics, and non-GAAP measures as discussed in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC, under the heading "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

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 "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Results of Operations

Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023

The following table presents our results of operations for the periods indicated:

	Three Months Ended June 30,					
	2024		2023		Change	
($ in thousands)	**$**	**% of revenue[1]**	**$**	**% of revenue[1]**	**$**	**%[2]**
Revenues	$ 153,596	100 %	$ 130,416	100 %	$ 23,180	18 %
Cost of revenues	52,018	34	44,544	34	7,474	17
Gross profit	101,578	66	85,872	66	15,706	18
Operating expenses						
Sales and marketing	35,691	23	30,349	23	5,342	18
Research and development	14,366	9	13,318	10	1,048	8
General and administrative	23,516	15	21,693	17	1,823	8
Amortization of intangible assets	4,840	3	3,479	3	1,361	39
Total operating expenses	78,413	51	68,839	53	9,574	14
Income from operations	23,165	15	17,033	13	6,132	36
Other income, net	4,056	3	1,882	1	2,174	NM
Income before income taxes	27,221	18	18,915	15	8,306	44
Income tax expense	9,189	6	4,233	3	4,956	NM
Net income	$ 18,032	12 %	$ 14,682	11 %	$ 3,350	23 %

(1) Amounts in column may not foot due to rounding
(2) NM = not meaningful

Revenues - Revenues increased for the 94th consecutive quarter. The increase in revenue period-over-period resulted from two primary factors: the increase in recurring revenue customers, which is driven primarily by continued business growth and by business acquisitions, and the increase in average recurring revenues per recurring revenue customer, which we also refer to as wallet share.

- The number of recurring revenue customers increased 5% to approximately 44,950 at June 30, 2024 from approximately 43,000 at June 30, 2023, primarily due to sales and marketing efforts to acquire new customers and recent acquisitions. New recurring revenue customers do not have a meaningful contribution to revenue at the beginning of their tenure as our recurring revenue customer, and therefore a majority of the increased revenue was generated from existing recurring revenue customers.
- Approximately 1,000 recurring revenue customers were added in September 2023 due to the acquisition of the existing customer base of TIE Kinetix. Additionally, approximately 50 recurring revenue customers were added in May 2024 due to the acquisition of the existing customer base of Traverse Systems.
- Wallet share increased 13% to approximately $12,850 for the three months ended June 30, 2024 from approximately $11,350 for the same period in 2023. This was primarily attributable to increased usage of our products by our recurring revenue customers.

Recurring revenues increased 18% to $144.0 million for the three months ended June 30, 2024 compared to the three months ended June 30, 2023. Recurring revenues accounted for 94% of our total revenues for the three months ended June 30, 2024 compared to 93% for the same period in 2023. We anticipate that the number of recurring revenue customers and wallet share will continue to increase as we execute our growth strategy focused on further penetration of our market.

Cost of Revenues - The increase in cost of revenues was primarily due to increased headcount, which resulted in an increase of $4.7 million in personnel-related costs.

Sales and Marketing Expenses - The increase in sales and marketing expense was primarily due to increased headcount, which resulted in an increase of $3.9 million in personnel-related costs.

Research and Development Expenses - The increase in research and development expense was primarily due to increased headcount, which resulted in an increase of $1.5 million in personnel-related costs.

General and Administrative Expenses - The increase in general and administrative expense was primarily due to increased headcount, which resulted in an increase of $1.9 million in personnel-related costs, partially offset by a decrease in stock-based compensation of $1.5 million. Additionally, there was an increase in credit loss expense of $1.0 million due primarily to overall business growth.

Amortization of Intangible Assets - The increase in amortization of intangible assets was driven by acquired intangible assets related to recent business combinations.

Other Income, Net - The increase in other income, net was primarily due to increased investment income from favorable interest rates and realized gains due to favorable foreign currency exchange rates.

Income Tax Expense - The increase in income tax expense was primarily driven by an increase in pre-tax income, as well as decreases in the deductible excess tax benefits from current period equity award settlements and deductible compensation. Excess tax benefits generated upon the settlement or exercise of stock awards are recognized as a reduction to income tax expense and, as a result, we expect that our annual effective income tax rate will fluctuate.

Adjusted EBITDA - 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. Other adjustments included the expense impact from disposals of certain capitalized internally developed software. Net income is the comparable GAAP measure of financial performance.

The following table provides a reconciliation of net income to Adjusted EBITDA:

	Three Months Ended June 30,	
(in thousands)	**2024**	**2023**
Net income	$ 18,032	$ 14,682
Income tax expense	9,189	4,233
Depreciation and amortization of property and equipment	4,683	4,663
Amortization of intangible assets	4,840	3,479
Stock-based compensation expense	11,494	12,881
Realized gain from foreign currency on cash and investments held	(1,255)	(290)
Investment income	(2,794)	(1,611)
Other	—	134
Adjusted EBITDA	$ 44,189	$ 38,171

Adjusted EBITDA Margin - 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 table provides a comparison of Margin to Adjusted EBITDA Margin:

	Three Months Ended June 30,	
(in thousands, except Margin and Adjusted EBITDA Margin)	**2024**	**2023**
Revenue	$ 153,596	$ 130,416
Net income	18,032	14,682
Margin	12 %	11 %
Adjusted EBITDA	44,189	38,171
Adjusted EBITDA Margin	29 %	29 %

Non-GAAP Income per Share - 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, including the expense impact from disposals of certain capitalized internally developed software, 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.

The following table provides a reconciliation of net income per share to non-GAAP income per share:

	Three Months Ended June 30,	
(in thousands, except per share amounts)	**2024**	**2023**
Net income	$ 18,032	$ 14,682
Stock-based compensation expense	11,494	12,881
Amortization of intangible assets	4,840	3,479
Realized gain from foreign currency on cash and investments held	(1,255)	(290)
Other	—	134
Income tax effects of adjustments	(3,066)	(5,199)
Non-GAAP income	$ 30,045	$ 25,687
Shares used to compute net income and non-GAAP income per share		
Basic	37,078	36,593
Diluted	37,683	37,426
Net income per share, basic	$ 0.49	$ 0.40
Non-GAAP adjustments to net income per share, basic	0.32	0.30
Non-GAAP income per share, basic	$ 0.81	$ 0.70
Net income per share, diluted	$ 0.48	$ 0.39
Non-GAAP adjustments to net income per share, diluted	0.32	0.30
Non-GAAP income per share, diluted	$ 0.80	$ 0.69

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

The following table presents our results of operations for the periods indicated:

	Six Months Ended June 30,				Change	
	2024		2023			
($ in thousands)	**$**	**% of revenue(1)**	**$**	**% of revenue(1)**	**$**	**%(2)**
Revenues	$ 303,172	100 %	$ 256,284	100 %	$ 46,888	18 %
Cost of revenues	103,505	34	87,508	34	15,997	18
Gross profit	199,667	66	168,776	66	30,891	18
Operating expenses						
Sales and marketing	72,123	24	59,433	23	12,690	21
Research and development	30,375	10	25,880	10	4,495	17
General and administrative	49,423	16	42,369	17	7,054	17
Amortization of intangible assets	9,178	3	7,330	3	1,848	25
Total operating expenses	161,099	53	135,012	53	26,087	19
Income from operations	38,568	13	33,764	13	4,804	14
Other income, net	7,188	2	3,157	1	4,031	NM
Income before income taxes	45,756	15	36,921	14	8,835	24
Income tax expense	9,721	3	6,950	3	2,771	40
Net income	$ 36,035	12 %	$ 29,971	12 %	$ 6,064	20 %

(1) Amounts in column may not foot due to rounding
(2) NM = "not meaningful"

***Revenues* -** Revenues increased for the 94th consecutive quarter. The increase in revenue period-over-period resulted from two primary factors: the increase in recurring revenue customers, which is driven primarily by continued business growth and by business acquisitions, and the increase in average recurring revenues per recurring revenue customer, which we also refer to as wallet share.

- The number of recurring revenue customers increased 5% to approximately 44,950 at June 30, 2024 from approximately 43,000 at June 30, 2023, primarily due to sales and marketing efforts to acquire new customers and recent acquisitions. New recurring revenue customers do not have a meaningful contribution to revenue at the beginning of their tenure as our recurring revenue customer, and therefore a majority of the increased revenue was generated from existing recurring revenue customers.
- Approximately 1,000 recurring revenue customers were added in September 2023 due to the acquisition of the existing customer base of TIE Kinetix. Additionally, approximately 50 recurring revenue customers were added in May 2024 due to the acquisition of the existing customer base of Traverse Systems.
- Wallet share increased 13% to approximately $12,650 for the six months ended June 30, 2024 from approximately $11,200 for the same period in 2023. This was primarily attributable to increased usage of our products by our recurring revenue customers.

Recurring revenues increased 19% to $283,665 for the six months ended June 30, 2024 compared to the six months ended June 30, 2023. Recurring revenues accounted for 94% of our total revenues for the six months ended June 30, 2024 compared to 93% for the same period in 2023. We anticipate that the number of recurring revenue customers and wallet share will continue to increase as we execute our growth strategy focused on further penetration of our market.

***Cost of Revenues* -** The increase in cost of revenues was primarily due to increased headcount, which resulted in an increase of $9.5 million in personnel-related costs, and an increase of $1.7 million in stock-based compensation. Additionally, there was an increase in our software subscriptions of $1.9 million due primarily to the general growth of our business.

Sales and Marketing Expenses - The increase in sales and marketing expense was primarily due to increased headcount, which resulted in an increase of $8.1 million in personnel-related costs, and an increase of $2.0 million in stock-based compensation.

Research and Development Expenses - The increase in research and development expense was primarily due to increased headcount, which resulted in an increase of $3.0 million in personnel-related costs, and an increase of $1.5 million in stock-based compensation.

General and Administrative Expenses - The increase in general and administrative expense was primarily due to increased headcount, which resulted in an increase of $3.4 million in personnel-related costs, and an increase of $1.7 million in stock-based compensation. Additionally, there was an increase in credit loss expense of $2.0 million due primarily to overall business growth.

Amortization of Intangible Assets - The increase in amortization of intangible assets was driven by acquired intangible assets related to recent business combinations.

Other Income, Net - The increase in other income, net was primarily due to increased investment income from favorable interest rates and realized gains due to favorable foreign currency exchange rates.

Income Tax Expense - The increase in income tax expense was primarily driven by an increase in pre-tax income, as well as decreases in the deductible excess tax benefits from current period equity award settlements and deductible compensation. Excess tax benefits generated upon the settlement or exercise of stock awards are recognized as a reduction to income tax expense and, as a result, we expect that our annual effective income tax rate will fluctuate.

Adjusted EBITDA - 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. Other adjustments included the expense impact from disposals of certain capitalized internally developed software. Net income is the comparable GAAP measure of financial performance.

The following table provides a reconciliation of net income to Adjusted EBITDA:

	Six Months Ended June 30,	
(in thousands)	**2024**	**2023**
Net income	$ 36,035	$ 29,971
Income tax expense	9,721	6,950
Depreciation and amortization of property and equipment	9,377	9,289
Amortization of intangible assets	9,178	7,330
Stock-based compensation expense	31,512	24,661
Realized gain from foreign currency on cash and investments held	(1,559)	(427)
Investment income	(5,673)	(2,737)
Other	—	134
Adjusted EBITDA	$ 88,591	$ 75,171

Adjusted EBITDA Margin - 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 table provides a comparison of Margin to Adjusted EBITDA Margin:

(in thousands, except Margin and Adjusted EBITDA Margin)	Six Months Ended June 30, 2024	2023
Revenue	$ 303,172	$ 256,284
Net income	36,035	29,971
Margin	12 %	12 %
Adjusted EBITDA	88,591	75,171
Adjusted EBITDA Margin	29 %	29 %

Non-GAAP Income per Share - 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, including the expense impact from disposals of certain capitalized internally developed software, 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.

The following table provides a reconciliation of net income per share to non-GAAP income per share:

(in thousands, except per share amounts)	Six Months Ended June 30, 2024	2023
Net income	$ 36,035	$ 29,971
Stock-based compensation expense	31,512	24,661
Amortization of intangible assets	9,178	7,330
Realized gain from foreign currency on cash and investments held	(1,559)	(427)
Other	—	134
Income tax effects of adjustments	(12,620)	(11,108)
Non-GAAP income	$ 62,546	$ 50,561
Shares used to compute net income and non-GAAP income per share		
Basic	37,063	36,511
Diluted	37,690	37,327
Net income per share, basic	$ 0.97	$ 0.82
Non-GAAP adjustments to net income per share, basic	0.72	0.56
Non-GAAP income per share, basic	$ 1.69	$ 1.38
Net income per share, diluted	$ 0.96	$ 0.80
Non-GAAP adjustments to net income per share, diluted	0.70	0.55
Non-GAAP income per share, diluted	$ 1.66	$ 1.35

Critical Accounting Policies and Estimates

This discussion of our financial condition and results of operations is based upon our condensed consolidated financial statements, which are prepared in accordance with GAAP and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The preparation of these condensed consolidated financial statements requires us to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures. On an ongoing basis, we evaluate our estimates, judgments, and assumptions. We base our estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that we believe to be reasonable. Our actual results may differ from these estimates under different assumptions or conditions.

A critical accounting policy or estimate is one that is both material to the presentation of our financial statements and requires us to make difficult, subjective, or complex judgments relating to uncertain matters that could have a material effect on our financial condition and results of operations. Accordingly, we believe that our policies for revenue recognition, internally developed software, and business combinations are the most critical to fully understand and evaluate our financial condition and results of operations.

During the six months ended June 30, 2024, there were no changes in our critical accounting policies or estimates. For additional information regarding our critical accounting policies and estimates, see the discussion under *"Critical Accounting Policies and Estimates"* in *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* included in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC.

Liquidity and Capital Resources

Sources of Liquidity

As of June 30, 2024, our principal sources of liquidity were cash and cash equivalents and short-term investments totaling $271.8 million and net accounts receivable of $55.4 million. Our investments are selected in accordance with our investment policy, with a goal to preserve principal, provide liquidity, and maximize income consistent with minimizing risk of material loss. Our cash equivalents and short-term investments are held in highly liquid money market funds, certificates of deposit, and commercial paper.

Statements of Cash Flows Summary

The summary of activity within the condensed consolidated statements of cash flows was as follows:

	Six Months Ended June 30,	
(in thousands)	**2024**	**2023**
Net cash provided by operating activities	$ 63,506	$ 55,670
Net cash used in investing activities	(11,929)	(18,348)
Net cash provided by (used in) financing activities	(29,950)	8,955

Operating Activities

The increase in cash provided by operating activities from the six months ended June 30, 2023 to the six months ended June 30, 2024 was primarily due to an increase in net income as adjusted for non-cash expenses, of $14.4 million, driven by continued growth in revenue, as partially offset by growth in cash paid for expenses to operate the growing business. Additionally, fluctuations in operating assets and liabilities resulted in a decrease of $6.6 million, driven by changes in the amount and timing of settlements and general growth of the business.

Investing Activities

The decrease in cash used in investing activities from the six months ended June 30, 2023 to the six months ended June 30, 2024 was primarily due to an increase in cash provided by net maturities of investments of $34.6 million year-over-year, partially offset by an increase in cash used to acquire businesses of $29.3 million year-over-year to further grow our business.

Financing Activities

The increase in cash used in financing activities from the six months ended June 30, 2023 to the six months ended June 30, 2024 was primarily due to an increase in cash used for share repurchases of $37.5 million year-over-year to continue to deliver shareholder value.

Contractual and Commercial Commitment Summary

Our contractual obligations and commercial commitments as of June 30, 2024 are summarized below:

	Payments Due by Period				
(in thousands)	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**	**Total**
Operating lease obligations, including imputed interest	$ 4,844	$ 7,896	$ 291	$ 62	$ 13,093
Purchase commitments	13,412	11,798	—	—	25,210
Total	$ 18,256	$ 19,694	$ 291	$ 62	$ 38,303

Future Capital Requirements

Our future capital requirements may vary significantly from those now planned and will depend on many factors, including:

- costs to develop and implement new products and applications, if any;
- sales and marketing resources needed to further penetrate our market and gain acceptance of new products and applications that we may develop;
- expansion of our operations in the U.S. and internationally;
- response of competitors to our products and applications; and
- use of capital for acquisitions.

Historically, we have experienced increases in our expenditures consistent with the growth in our operations and personnel, and we anticipate that our expenditures will continue to increase as we expand our business.

We believe our cash, cash equivalents, investments, and cash flows from our operations will be sufficient to meet our working capital and capital expenditure requirements for at least the next twelve months.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, investments in special purpose entities or undisclosed borrowings or debt. Additionally, we are not a party to any derivative contracts or synthetic leases.

Foreign Currency Exchange and Inflation Rate Changes

For information regarding the effect of foreign currency exchange rate changes, refer to the section entitled “Foreign Currency Exchange Risk,” included in Part I, Item 3, “Quantitative and Qualitative Disclosures About Market Risk” of this Quarterly Report on Form 10-Q.

Inflation and changing prices did not have a material effect on our business during the six months ended June 30, 2024 and we do not expect that inflation or changing prices will materially affect our business in the foreseeable future.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity Risk

The principal objectives of our investment activities are to preserve principal, provide liquidity, and maximize income consistent with minimizing risk of material loss. We are exposed to market risk related to changes in interest rates. However, based on the nature and current level of our cash, cash equivalents, and investments, we believe there is no material risk exposure. We do not enter into investments for trading or speculative purposes.

We did not have any variable interest rate outstanding debt as of June 30, 2024. Therefore, we do not have any material risk to interest rate fluctuations.

Foreign Currency Exchange Risk

Due to international operations, we have revenue, expenses, assets, and liabilities that are denominated in currencies other than the U.S. dollar, primarily the Australian dollar, Canadian dollar, and Euro. Our consolidated balance sheet, results of operations, and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. Our predominate exposure to foreign currency exchange rates are due to non-monetary assets held in currencies other than the U.S. dollar, and thus fluctuations in currencies primarily result in comprehensive income (loss), not net income (loss).

Our sales are primarily denominated in U.S. dollars. Our expenses are generally denominated in the local currencies in which our operations are located. As of June 30, 2024, we maintained 10% of our total cash and cash equivalents and investments in foreign currencies.

We believe that a hypothetical 10% change in foreign currency exchange rates or an inability to access foreign funds would not materially affect our ability to meet our operational needs or result in a material foreign currency impact classified within net income (loss).

We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency exchange risk, although we may do so in the future.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In September 2023, we acquired the TIE Kinetix business, and in May 2024, we acquired the Traverse Systems business. Pursuant to the SEC’s general guidance that the assessment of a recently acquired business' internal control over financial reporting may be omitted in the year of acquisition, the scope of our most recent assessment did not include TIE Kinetix nor Traverse Systems. We are currently in the process of incorporating internal controls specific to TIE Kinetix and Traverse Systems that we believe are appropriate and necessary to consolidate and report upon our financial results.

Excluding net intangible assets and goodwill, TIE Kinetix and Traverse Systems combined represented less than 5% of our consolidated assets as of June 30, 2024 and less than 5% of our consolidated revenues for the six months ended June 30, 2024.

PART II. – OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently subject to, or aware of, any claims or actions that would have a material adverse effect on our business, financial condition, or results of operations. From time to time, we may be named as a defendant in legal actions or otherwise be subject to claims arising from our normal business activities. We believe that we have obtained adequate insurance coverage and/or rights to indemnification in connection with potential legal proceedings that may arise.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed under the heading *"Risk Factors"* in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Sales of Equity Securities

On May 8, 2024, we issued 22,874 shares of our common stock to the sellers of Traverse Systems as partial consideration for the acquisition. The offer and issuance of these shares of common stock were deemed to be exempt from registration under The Securities Act of 1933 ("Securities Act") in reliance on Section 4(a)(2) of the Securities Act promulgated thereunder as a transaction by an issuer not involving a public offering.

(c) Share Repurchases

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program[1]	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program [1]
April 1 - 30, 2024	30,893	$ 173.11	30,893	$ 21,662,000
May 1 - 31, 2024	34,632	191.73	34,632	15,022,000
June 1 - 30, 2024	29,870	183.90	29,870	9,529,000
Total	95,395	$ 183.25	95,395	$ 9,529,000

For more information regarding our share repurchase programs, refer to Note J to our condensed consolidated financial statements, included in Part I of this Quarterly Report on Form 10-Q.

(1) On July 26, 2022 (announced July 27, 2022), our board of directors authorized a program to repurchase up to $50.0 million of our common stock, excluding costs to obtain. Under the program, purchases may be made from time to time in the open market or in privately negotiated purchases, or both. The share repurchase program became effective August 26, 2022 and expires on July 26, 2024.

On July 23, 2024 (announced July 25, 2024), our board of directors authorized a program to repurchase up to $100.0 million of our common stock, excluding costs to obtain. Under the program, purchases may be made from time to time in the open market or in privately negotiated purchases, or both. The share repurchase program will become effective August 23, 2024 and expires on July 24, 2026.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements

During the three months ended June 30, 2024, the following directors and officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted written plans for the sale of our securities that are intended to satisfy the affirmative defense of Rule 10b5-1(c) of the Exchange Act:

Name	Title	Adoption Date	Earliest Sale Date	Expiration or Termination Date	Aggregate Number of Shares of the Company's Common Stock to be Sold[(1)]
Daniel Juckniess	Chief Revenue Officer	May 31, 2024	August 30, 2024	May 23, 2025	28,794
Chadwick Collins	Chief Executive Officer and Director	May 29, 2024	November 2, 2024	March 15, 2025	21,640
James Ramsey	Director	May 28, 2024	August 27, 2024	May 14, 2026	5,732
Kimberly Nelson	Chief Financial Officer	May 20, 2024	August 19, 2024	March 31, 2025	32,560
James Frome	Chief Operating Officer	May 17, 2024	August 16, 2024	March 31, 2026	98,562

[(1)] The number of shares is the maximum number of shares to be sold but the actual activity may be lower. Transaction(s) may be contingent upon future events such as performance factors, tax withholding obligations, and/or future market price(s).

There were no other Rule 10b5-1(c) trading arrangements or non-Rule 10b5-1(c) trading arrangements adopted, modified or terminated by the Company's officers and directors during the three months ended June 30, 2024.

Item 6. Exhibits

Number	Description
3.1	Tenth Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on May 16, 2024).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to our Form 10-K filed with the SEC on February 21, 2023).
10.1	SPS Commerce, Inc. Executive Management Team Severance Plan (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on May 16, 2024).
10.2	Agreement to Terminate Amended and Restated Executive Severance and Change in Control Agreement, effective as of May 16, 2024, by and between SPS Commerce, Inc. and Kimberly Nelson (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on May 16, 2024).
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T (filed herewith). The XBRL instance document does not appear in the Interactive Data File because its tags are embedded within the Inline XBRL document.
104	The cover page from the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in Inline XBRL.

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 thereunto duly authorized.

Date: July 25, 2024	**SPS COMMERCE, INC.**
	/s/ KIMBERLY NELSON
	Kimberly Nelson
	Executive Vice President and Chief Financial Officer
	(principal financial and accounting officer)

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Chadwick Collins, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SPS Commerce, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

/s/ CHADWICK COLLINS

Chadwick Collins

Chief Executive Officer

(principal executive officer)

July 25, 2024

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Kimberly Nelson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SPS Commerce, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ KIMBERLY NELSON

Kimberly Nelson
Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)
July 25, 2024

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. §1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of SPS Commerce, Inc. (the "Company") for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Chief Executive Officer and the Chief Financial Officer of the Company, hereby certify, pursuant to and for purposes of 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ CHADWICK COLLINS
Chadwick Collins
Chief Executive Officer
(principal executive officer)

/s/ KIMBERLY NELSON
Kimberly Nelson
Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)

July 25, 2024