



Statements of Income

(Unaudited; in thousands, except per share data)

	2017					2018					2019			
	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	YR
Revenues [^]	\$ 51,879	\$ 54,092	\$ 56,057	\$ 58,057	\$ 220,085	\$ 59,092	\$ 61,091	\$ 62,868	\$ 65,189	\$ 248,240	\$ 66,934	\$ 68,529	\$ 70,928	\$ 206,391
Cost of revenues	17,330	18,191	18,645	19,459	73,625	19,758	20,402	20,411	21,177	81,748	21,367	23,700	23,263	68,330
Gross profit	34,549	35,901	37,412	38,598	146,460	39,334	40,689	42,457	44,012	166,492	45,567	44,829	47,665	138,061
Operating expenses														
Sales and marketing [^]	17,023	18,320	17,638	18,280	71,261	18,647	18,424	16,952	17,696	71,719	17,922	17,545	16,937	52,404
Research and development	5,105	5,369	6,549	6,160	23,183	5,132	5,293	5,146	6,516	22,087	6,192	6,509	7,743	20,444
General and administrative	7,827	8,139	8,743	12,752	37,461	10,130	9,974	11,174	10,584	41,862	12,770	10,179	10,725	33,674
Amortization of intangible assets	1,215	1,117	1,128	1,114	4,574	1,125	1,033	928	1,007	4,093	1,304	1,266	1,327	3,897
Total operating expenses	31,170	32,945	34,058	38,306	136,479	35,034	34,724	34,200	35,803	139,761	38,188	35,499	36,732	110,419
Income from operations	3,379	2,956	3,354	292	9,981	4,300	5,965	8,257	8,209	26,731	7,379	9,330	10,933	27,642
Other income (expense)														
Interest income, net	191	242	272	327	1,032	414	547	628	740	2,329	577	813	843	2,233
Other income (expense)	(60)	(102)	(195)	37	(320)	(154)	(168)	(219)	(179)	(720)	(47)	240	(165)	28
Change in earn-out liability	-	-	-	-	-	-	-	-	-	-	(56)	400	22	366
Total other income (expense), net	131	140	77	364	712	260	379	409	561	1,609	474	1,453	700	2,627
Income (loss) before income taxes [^]	3,510	3,096	3,431	656	10,693	4,560	6,344	8,666	8,770	28,340	7,853	10,783	11,633	30,269
Income tax expense [^]	525	1,128	1,255	7,434	10,342	1,306	928	605	1,629	4,468	1,040	1,987	2,692	5,719
Net income (loss) [^]	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061	\$ 7,141	\$ 23,872	\$ 6,813	\$ 8,796	\$ 8,941	\$ 24,550
Net income (loss) per share														
Basic [*]	\$ 0.09	\$ 0.06	\$ 0.06	\$ (0.20)	\$ 0.01	\$ 0.10	\$ 0.16	\$ 0.23	\$ 0.21	\$ 0.69	\$ 0.19	\$ 0.25	\$ 0.26	\$ 0.70
Diluted [*]	\$ 0.09	\$ 0.06	\$ 0.06	\$ (0.20)	\$ 0.01	\$ 0.09	\$ 0.15	\$ 0.23	\$ 0.20	\$ 0.68	\$ 0.19	\$ 0.24	\$ 0.25	\$ 0.68
Shares used to compute Net income (loss) per share														
Basic [*]	34,308	34,396	34,446	34,314	34,366	34,186	34,326	34,438	34,560	34,392	34,942	35,010	35,015	34,966
Diluted [*]	34,786	34,756	34,820	34,650	34,712	34,614	35,098	35,482	35,444	35,212	35,984	36,020	35,932	35,952

[^] Due to the adoption of new accounting pronouncements, this amount has been adjusted from the amount originally reported. See reconciliation of adjustments on subsequent pages.

^{*} Due to the two-for-one stock split of the Company's common stock, this amount have been adjusted from the amount originally reported. See reconciliation of adjustments on subsequent pages.



Balance Sheets

(Unaudited, in thousands)

	2017				2018				2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Assets											
Current assets											
Cash and cash equivalents	\$ 128,707	\$ 131,744	\$ 128,984	\$ 123,127	\$ 120,547	\$ 125,385	\$ 144,748	\$ 133,859	\$ 143,715	\$ 147,023	\$ 149,727
Short-term investments	25,550	26,896	34,869	40,192	45,272	47,352	44,654	44,537	41,683	51,651	51,446
Accounts receivable, net	22,683	21,545	24,175	24,897	25,948	28,171	27,289	27,488	28,301	30,747	29,383
Deferred costs ^	24,298	25,586	27,028	29,966	31,318	32,216	33,134	34,502	34,692	35,087	34,583
Other current assets	6,992	6,955	5,853	6,149	5,696	6,762	6,613	9,229	8,858	8,265	8,385
Total current assets	<u>208,230</u>	<u>212,726</u>	<u>220,909</u>	<u>224,331</u>	<u>228,781</u>	<u>239,886</u>	<u>256,438</u>	<u>249,615</u>	<u>257,249</u>	<u>272,773</u>	<u>273,524</u>
Property and equipment, net	15,066	15,527	15,616	16,856	17,304	18,136	19,368	20,957	20,710	20,597	20,757
Operating lease right-of-use asset	-	-	-	-	-	-	-	-	15,234	14,038	13,648
Goodwill	50,289	50,766	51,783	51,613	51,030	50,403	50,502	69,658	70,075	70,300	76,366
Intangible assets, net	19,389	18,484	17,720	16,529	15,577	14,354	13,491	22,741	21,572	20,379	23,844
Investments	2,503	4,997	2,491	5,206	2,471	4,922	4,921	-	-	-	-
Deferred costs^	9,163	9,746	10,282	9,967	10,239	10,328	10,597	10,973	11,199	10,441	10,998
Deferred income tax asset^	23,327	22,357	21,264	13,697	12,596	12,061	11,433	10,456	9,528	7,627	4,839
Other assets	1,372	1,098	1,101	1,539	1,598	1,583	1,710	1,723	1,630	2,452	2,621
Total assets	<u>\$ 329,339</u>	<u>\$ 335,701</u>	<u>\$ 341,166</u>	<u>\$ 339,738</u>	<u>\$ 339,596</u>	<u>\$ 351,673</u>	<u>\$ 368,460</u>	<u>\$ 386,123</u>	<u>\$ 407,197</u>	<u>\$ 418,607</u>	<u>\$ 426,597</u>
Liabilities & Stockholders' Equity											
Current liabilities											
Accounts payable	\$ 3,580	\$ 2,720	\$ 3,089	\$ 4,463	\$ 3,472	\$ 3,709	\$ 3,853	\$ 4,440	\$ 4,391	\$ 3,708	\$ 4,367
Accrued compensation ^	12,022	13,066	12,416	15,228	11,617	14,347	15,498	20,415	11,974	15,883	17,660
Accrued expenses & other current liabilities	5,963	5,329	5,646	6,391	5,424	6,131	5,375	6,339	4,619	4,964	4,874
Deferred revenue ^	17,282	18,113	17,561	17,863	21,583	24,191	24,948	25,328	28,889	30,376	30,351
Operating lease liabilities	-	-	-	-	-	-	-	-	3,509	3,469	3,281
Total current liabilities	<u>38,847</u>	<u>39,228</u>	<u>38,712</u>	<u>43,945</u>	<u>42,096</u>	<u>48,378</u>	<u>49,674</u>	<u>56,522</u>	<u>53,382</u>	<u>58,400</u>	<u>60,533</u>
Deferred revenue^	2,765	2,910	2,715	2,731	2,691	2,640	2,685	2,512	2,649	2,714	2,601
Deferred rent	3,912	3,899	3,498	3,064	4,690	4,290	3,979	5,371	-	-	-
Operating lease liabilities	-	-	-	-	-	-	-	-	17,723	16,890	16,224
Deferred income tax liability	1,895	1,977	2,100	1,887	1,768	1,676	1,551	1,376	1,315	1,246	1,169
Other non-current liabilities	-	-	-	-	-	-	-	1,368	1,424	1,024	1,002
Total liabilities	<u>47,419</u>	<u>48,014</u>	<u>47,025</u>	<u>51,627</u>	<u>51,245</u>	<u>56,984</u>	<u>57,889</u>	<u>67,149</u>	<u>76,493</u>	<u>80,274</u>	<u>81,529</u>
Stockholders' equity											
Common stock *	34	34	34	34	35	35	35	36	36	36	36
Treasury stock	-	-	-	(5,815)	(11,686)	(17,684)	(19,682)	(25,679)	(28,645)	(34,645)	(40,645)
Additional paid-in capital *	289,635	292,516	294,926	301,846	305,741	313,869	323,522	332,574	339,712	344,232	349,014
Retained earnings (accumulated deficit) ^	(5,976)	(4,008)	(1,832)	(8,611)	(5,357)	59	8,120	15,261	22,074	30,870	39,811
Accumulated other comprehensive gain (loss)	(1,773)	(855)	1,013	657	(382)	(1,590)	(1,424)	(3,218)	(2,473)	(2,160)	(3,148)
Total stockholders' equity	<u>281,920</u>	<u>287,687</u>	<u>294,141</u>	<u>288,111</u>	<u>288,351</u>	<u>294,689</u>	<u>310,571</u>	<u>318,974</u>	<u>330,704</u>	<u>338,333</u>	<u>345,068</u>
Total liabilities and stockholders' equity	<u>\$ 329,339</u>	<u>\$ 335,701</u>	<u>\$ 341,166</u>	<u>\$ 339,738</u>	<u>\$ 339,596</u>	<u>\$ 351,673</u>	<u>\$ 368,460</u>	<u>\$ 386,123</u>	<u>\$ 407,197</u>	<u>\$ 418,607</u>	<u>\$ 426,597</u>

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Reconciliation of Adjustments to Statements of Income and Balance Sheets

(Unaudited; in thousands, except per share data)

	2017					2018					2019	
	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1	Q2
Adjustments to Statements of Income												
Net income (loss) as historically reported	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061	\$ 7,141	\$ 23,872	\$ 6,813	\$ 8,796
Net income (loss) per share as historically reported												
Basic	\$ 0.17	\$ 0.11	\$ 0.13	\$ (0.39)	\$ 0.02	\$ 0.19	\$ 0.32	\$ 0.47	\$ 0.41	\$ 1.39	\$ 0.39	\$ 0.50
Diluted	\$ 0.17	\$ 0.11	\$ 0.13	\$ (0.39)	\$ 0.02	\$ 0.19	\$ 0.31	\$ 0.45	\$ 0.40	\$ 1.36	\$ 0.38	\$ 0.49
Shares used to compute Net income (loss) per share as historically reported												
Basic	17,154	17,198	17,223	17,157	17,183	17,093	17,163	17,219	17,280	17,196	17,471	17,505
Diluted	17,393	17,378	17,410	17,325	17,356	17,307	17,549	17,741	17,722	17,606	17,992	18,010
Net income (loss) per share as adjusted												
Basic ^	\$ 0.09	\$ 0.06	\$ 0.06	\$ (0.20)	\$ 0.01	\$ 0.10	\$ 0.16	\$ 0.23	\$ 0.21	\$ 0.69	\$ 0.19	\$ 0.25
Diluted ^	\$ 0.09	\$ 0.06	\$ 0.06	\$ (0.20)	\$ 0.01	\$ 0.09	\$ 0.15	\$ 0.23	\$ 0.20	\$ 0.68	\$ 0.19	\$ 0.24
Shares used to compute Net income (loss) per share as adjusted												
Basic ^	34,308	34,396	34,446	34,314	34,366	34,186	34,326	34,438	34,560	34,392	34,942	35,010
Diluted ^	34,786	34,756	34,820	34,650	34,712	34,614	35,098	35,482	35,444	35,212	35,984	36,020
Adjustments to Balance Sheets												
Stockholders' equity, impacted share amounts												
As historically reported												
Common stock, issued	17,200,526	17,221,798	17,224,060	17,249,153		17,346,080	17,475,360	17,644,364	17,757,628		17,913,306	17,971,845
Common stock, outstanding	17,200,526	17,221,798	17,224,060	17,127,006		17,109,949	17,159,819	17,302,572	17,345,736		17,467,682	17,468,106
Treasury stock	-	-	-	122,147		236,131	315,541	341,792	411,892		445,624	503,739
Stock split impact ^												
Common stock, issued	17,200,526	17,221,798	17,224,060	17,249,153		17,346,080	17,475,360	17,644,364	17,757,628		17,913,306	17,971,845
Common stock, outstanding	17,200,526	17,221,798	17,224,060	17,127,006		17,109,949	17,159,819	17,302,572	17,345,736		17,467,682	17,468,106
Treasury stock	-	-	-	122,147		236,131	315,541	341,792	411,892		445,624	503,739
As adjusted												
Common stock, issued	34,401,052	34,443,596	34,448,120	34,498,306		34,692,160	34,950,720	35,288,728	35,515,256		35,826,612	35,943,690
Common stock, outstanding	34,401,052	34,443,596	34,448,120	34,254,012		34,219,898	34,319,638	34,605,144	34,691,472		34,935,364	34,936,212
Treasury stock	-	-	-	244,294		472,262	631,082	683,584	823,784		891,248	1,007,478
Stockholders' equity, impacted line items												
As historically reported												
Common stock	\$ 17	\$ 17	\$ 17	\$ 17		\$ 17	\$ 17	\$ 18	\$ 18		\$ 18	\$ 18
Treasury stock	-	-	-	(5,815)		(11,686)	(17,684)	(19,682)	(25,679)		(28,645)	(34,645)
Additional paid-in-capital	289,652	292,533	294,943	301,863		305,759	313,887	323,539	332,592		339,730	344,250
Stock split impact ^												
Common stock	\$ 17	\$ 17	\$ 17	\$ 17		\$ 18	\$ 18	\$ 17	\$ 18		\$ 18	\$ 18
Treasury stock	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Additional paid-in-capital	\$ (17)	\$ (17)	\$ (17)	\$ (17)		\$ (18)	\$ (18)	\$ (17)	\$ (18)		\$ (18)	\$ (18)
Total impact of stock split	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
As adjusted												
Common stock	\$ 34	\$ 34	\$ 34	\$ 34		\$ 35	\$ 35	\$ 35	\$ 36		\$ 36	\$ 36
Treasury stock	-	-	-	(5,815)		(11,686)	(17,684)	(19,682)	(25,679)		(28,645)	(34,645)
Additional paid-in-capital	289,635	292,516	294,926	301,846		305,741	313,869	323,522	332,574		339,712	344,232

^ On July 25, 2019, the Company announced that its Board of Directors declared a two-for-one stock split of the Company's common stock, effected in the form of a 100 percent stock dividend. The stock split dividend was distributed on August 22, 2019. Pursuant to the stock split, in the third quarter of 2019, the Company adjusted its historical financial statements for 2017 - 2019 to reflect the two-for-one stock split.



Statements of Cash Flows

(Unaudited; amounts in thousands)

	2017					2018					2019		
	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3
Cash flows from operating activities													
Net income (loss) ^	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061	\$ 7,141	\$ 23,872	\$ 6,813	\$ 8,796	\$ 8,941
Reconciliation of net income to net cash provided by operating activities													
Deferred income taxes ^	299	1,012	929	7,376	9,616	1,020	478	436	864	2,798	838	1,796	2,726
Change in earn-out liability	-	-	-	-	-	-	-	-	94	94	56	(400)	(22)
Depreciation and amortization	1,691	1,740	1,830	1,947	7,208	2,083	2,093	2,132	2,285	8,593	2,637	2,687	2,819
Amortization of intangible assets	1,215	1,117	1,128	1,114	4,574	1,125	1,033	928	1,007	4,093	1,304	1,266	1,327
Provision for doubtful accounts	332	541	492	340	1,705	410	575	795	812	2,592	655	849	925
Stock-based compensation	2,300	2,186	2,347	5,895	12,728	3,533	3,179	3,266	2,532	12,510	5,294	2,875	3,147
Other, net	(25)	34	(28)	4	(15)	(32)	(179)	(44)	(109)	(364)	(240)	(117)	(194)
Changes in assets and liabilities													
Accounts receivable	(2,201)	594	(2,869)	(1,110)	(5,586)	(1,520)	(2,853)	94	(290)	(4,569)	(1,328)	(3,441)	1,099
Deferred costs ^	(1,343)	(1,870)	(1,975)	(2,625)	(7,813)	(1,628)	(993)	(1,192)	(1,751)	(5,564)	(414)	358	(95)
Other current and non-current assets	180	(183)	1,138	(742)	393	367	(1,077)	29	(2,652)	(3,333)	(337)	(212)	(271)
Accounts payable	1,169	(974)	437	200	832	317	(128)	193	555	937	353	(843)	671
Accrued compensation ^	(1,870)	1,035	(682)	2,821	1,304	(3,939)	2,475	872	4,549	3,957	(8,843)	3,633	1,494
Accrued expenses	945	(739)	263	723	1,192	(592)	654	(780)	583	(135)	60	344	(488)
Deferred revenue ^	5,041	976	(747)	318	5,588	3,680	2,557	802	55	7,094	3,698	1,552	(321)
Deferred rent	(319)	70	(373)	(405)	(1,027)	1,271	(332)	(292)	1,793	2,440	-	-	-
Operating leases	-	-	-	-	-	-	-	-	-	-	(345)	318	(460)
Net cash provided by operating activities	10,399	7,507	4,066	9,078	31,050	9,349	12,898	15,300	17,468	55,015	10,201	19,461	21,298
Cash flows from investing activities													
Purchases of property and equipment	(1,299)	(2,035)	(1,908)	(2,029)	(7,271)	(3,884)	(2,597)	(3,394)	(3,875)	(13,750)	(2,899)	(2,452)	(3,036)
Purchases of investments	(4,995)	(17,355)	(7,469)	(18,059)	(47,878)	(19,927)	(32,189)	(12,318)	(17,232)	(81,666)	(12,447)	(32,101)	(17,419)
Maturities of investments	7,500	13,500	2,029	10,000	33,029	17,500	27,500	15,000	22,224	82,224	15,225	22,500	17,500
Acquisitions of businesses and intangible assets, net	(500)	-	-	-	(500)	(381)	-	-	(26,892)	(27,273)	-	-	(11,500)
Net cash provided by (used in) investing activities	706	(5,890)	(7,348)	(10,088)	(22,620)	(6,692)	(7,286)	(712)	(25,775)	(40,465)	(121)	(12,053)	(14,455)
Cash flows from financing activities													
Repurchases of common stock	-	-	-	(5,815)	(5,815)	(5,871)	(5,998)	(1,998)	(5,997)	(19,864)	(2,966)	(6,000)	(6,000)
Proceeds from exercise of stock options & employee stock purchase plan	1,037	1,218	63	1,025	3,343	715	5,241	6,680	3,453	16,089	2,472	1,978	1,978
Net cash provided by (used in) financing activities	1,037	1,218	63	(4,790)	(2,472)	(5,156)	(757)	4,682	(2,544)	(3,775)	(494)	(4,022)	(4,022)
Effect of foreign currency exchange rate changes	688	202	459	(57)	1,292	(81)	(17)	93	(38)	(43)	270	(78)	(117)
Net increase (decrease) in cash and cash equivalents	12,830	3,037	(2,760)	(5,857)	7,250	(2,580)	4,838	19,363	(10,889)	10,732	9,856	3,308	2,704
Cash and cash equivalents at beginning of period	115,877	128,707	131,744	128,984	115,877	123,127	120,547	125,385	144,748	123,127	133,859	143,715	147,023
Cash and cash equivalents at end of period	\$ 128,707	\$ 131,744	\$ 128,984	\$ 123,127	\$ 123,127	\$ 120,547	\$ 125,385	\$ 144,748	\$ 133,859	\$ 133,859	\$ 143,715	\$ 147,023	\$ 149,727

^ Due to the adoption of new accounting pronouncements, this amount has been adjusted from the amount originally reported. See reconciliation of adjustments on subsequent pages.



Supplemental Financial Data ***

(Unaudited)

	2017					2018					2019		
	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3
Revenues (in thousands) ^	\$ 51,879	\$ 54,092	\$ 56,057	\$ 58,057	\$ 220,085	\$ 59,092	\$ 61,091	\$ 62,868	\$ 65,189	\$ 248,240	\$ 66,934	\$ 68,529	\$ 70,928
% change (year over year) *	14%	14%	14%	14%	14%	14%	13%	12%	12%	13%	13%	12%	13%
Percentage recurring revenues of total revenues *	92%	93%	93%	93%	93%	93%	92%	93%	93%	93%	94%	94%	94%
Recurring revenue customers	25,001	25,153	25,359	25,751	25,751	25,888	26,212	26,869	29,308	29,308	29,466	29,889	30,551
% change (year over year)	5%	4%	3%	4%	4%	4%	4%	6%	14%	14%	14%	14%	14%
Average recurring revenues per recurring revenue customer (quarterly amounts are annualized)	\$ 7,707	\$ 7,993	\$ 8,219	\$ 8,441	\$ 8,067	\$ 8,499	\$ 8,665	\$ 8,838	\$ 8,647	\$ 8,378	\$ 8,541	\$ 8,674	\$ 8,793
% change (year over year)	9%	11%	11%	11%	10%	10%	8%	8%	2%	4%	0%	0%	-1%
Adjusted EBITDA (in thousands)													
Net income (loss) ^	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061	\$ 7,141	\$ 23,872	\$ 6,813	\$ 8,796	\$ 8,941
Depreciation and amortization	2,906	2,857	2,958	3,061	11,782	3,208	3,126	3,060	3,292	12,686	3,941	3,953	4,146
Interest (income) expense, net	(191)	(242)	(272)	(327)	(1,032)	(414)	(547)	(628)	(740)	(2,329)	(577)	(813)	(843)
Income tax expense ^	525	1,128	1,255	7,434	10,342	1,306	928	605	1,629	4,468	1,040	1,987	2,692
Stock-based compensation expense	2,300	2,186	2,347	5,894	12,727	3,533	3,179	3,266	2,532	12,510	5,294	2,875	3,147
Other	-	-	-	-	-	-	-	-	94	94	(61)	(400)	(22)
Adjusted EBITDA *	\$ 8,525	\$ 7,897	\$ 8,464	\$ 9,284	\$ 34,170	\$ 10,887	\$ 12,102	\$ 14,364	\$ 13,948	\$ 51,301	\$ 16,450	\$ 16,398	\$ 18,061
Stock-based compensation expense (in thousands) included in													
Cost of revenues	\$ 451	\$ 469	\$ 494	\$ 473	\$ 1,887	\$ 548	\$ 504	\$ 535	\$ 581	\$ 2,168	\$ 587	\$ 662	\$ 778
Sales and marketing	517	574	565	541	2,197	653	710	691	621	2,675	730	694	784
Research and development	229	228	241	251	949	329	357	287	532	1,505	523	602	697
General and administrative	1,103	915	1,047	4,629	7,694	2,003	1,608	1,753	798	6,162	3,454	917	888
Total stock-based compensation expense	\$ 2,300	\$ 2,186	\$ 2,347	\$ 5,894	\$ 12,727	\$ 3,533	\$ 3,179	\$ 3,266	\$ 2,532	\$ 12,510	\$ 5,294	\$ 2,875	\$ 3,147
Non-GAAP income per share (in thousands, except per share amounts)													
Net income (loss) ^	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351	\$ 3,254	\$ 5,416	\$ 8,061	\$ 7,141	\$ 23,872	\$ 6,813	\$ 8,796	\$ 8,941
Stock-based compensation expense	2,300	2,186	2,347	5,894	12,727	3,533	3,179	3,266	2,532	12,510	5,294	2,875	3,147
Amortization of intangible assets	1,215	1,117	1,128	1,114	4,574	1,125	1,033	928	1,007	4,093	1,304	1,266	1,327
Discrete impact from tax law change ^	-	-	-	6,798	6,798	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	94	94	(61)	(400)	(22)
Income tax effects of adjustments ^	(2,142)	(1,213)	(1,254)	(2,166)	(6,775)	(1,153)	(1,027)	(3,008)	(1,406)	(6,594)	(2,643)	(1,723)	(1,606)
Non-GAAP income *	\$ 4,358	\$ 4,058	\$ 4,397	\$ 4,862	\$ 17,675	\$ 6,759	\$ 8,601	\$ 9,247	\$ 9,368	\$ 33,975	\$ 10,707	\$ 10,814	\$ 11,787
Shares used to compute non-GAAP income per share													
Basic *	34,308	34,396	34,446	34,314	34,366	34,186	34,326	34,438	34,560	34,392	34,942	35,010	35,015
Diluted *	34,786	34,756	34,820	34,650	34,712	34,614	35,098	35,482	35,444	35,212	35,984	36,020	35,932
Non-GAAP income per share													
Basic **	\$ 0.13	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.51	\$ 0.20	\$ 0.25	\$ 0.27	\$ 0.27	\$ 0.99	\$ 0.31	\$ 0.31	\$ 0.34
Diluted **	\$ 0.13	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.51	\$ 0.20	\$ 0.25	\$ 0.26	\$ 0.26	\$ 0.96	\$ 0.30	\$ 0.30	\$ 0.33

^ Due to the adoption of new accounting pronouncements, this amount has been adjusted from the amount originally reported. See reconciliation of adjustments on subsequent pages.

* Due to the two-for-one stock split of the Company's common stock, this amount has been adjusted from the amount originally reported. See reconciliation of adjustments on subsequent pages.

** As part of adjustments noted in ^, this amount has been recalculated.

*** To supplement its financial statements, SPS Commerce also provides investors with Adjusted EBITDA and non-GAAP income per share, which are non-GAAP financial measures. SPS Commerce believes that these non-GAAP measures provide useful information to management and investors regarding certain financial and business trends relating to its financial condition and results of operations. SPS Commerce's management uses these non-GAAP measures to compare the company's performance to that of prior periods for trend analyses and planning purposes. It uses Adjusted EBITDA for purposes of determining executive and senior management incentive compensation. These measures are also presented to the company's board of directors.

Adjusted EBITDA consists of net income adjusted for depreciation and amortization, interest expense, interest income, income tax expense, stock-based compensation expense, the discrete impact from tax law change and other adjustments as necessary for a fair presentation. For additional information on the "other" adjustments for a specific period, please see Management's Discussion and Analysis of Financial Condition and Results of Operations in SPS Commerce's filings with the U.S. Securities and Exchange Commission. SPS Commerce uses Adjusted EBITDA as a measure of operating performance because it assists the company in comparing performance on a consistent basis, as it removes from operating results the impact of the company's capital structure. SPS Commerce believes Adjusted EBITDA is useful to an investor in evaluating the company's operating performance because it is widely used to measure a company's operating performance without regard to items such as depreciation and amortization, which can vary depending upon accounting methods and the book value of assets, and to present a meaningful measure of corporate performance exclusive of the company's capital structure and the method by which assets were acquired.

Non-GAAP income per share consists of Net income plus stock-based compensation expense, amortization expense related to intangible assets, the discrete impact from tax law change and other adjustments as necessary for a fair presentation divided by the weighted average number of shares of outstanding during each period. SPS Commerce includes an adjustment to non-GAAP income to reflect the income tax effects of the adjustments to GAAP net income, as discussed above. To quantify these tax effects, SPS Commerce recalculates income tax expense excluding the direct book and tax effects of the specific items constituting the non-GAAP adjustments (e.g., stock-based compensation expense). The difference between this recalculated income tax expense and GAAP income tax expense is presented as the income tax effect of the non-GAAP adjustments. SPS Commerce believes non-GAAP income per share is useful to an investor because it is widely used to measure a company's operating performance.

These non-GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with generally accepted accounting principles in the United States. These non-GAAP financial measures exclude significant expenses and income that are required by GAAP to be recorded in the company's financial statements and are subject to inherent limitations. SPS Commerce urges investors to review the reconciliation of its non-GAAP financial measures to the comparable GAAP financial measures. The preceding tables provide reconciliations of net income to Adjusted EBITDA and non-GAAP income per share.



Reconciliation of Adjustments to Statements of Income and Balance Sheets
(Unaudited; in thousands, except per share data)

	2017				
	Q1	Q2	Q3	Q4	YR
Adjustments to Statements of Income					
Revenue as historically reported	\$ 51,932	\$ 54,284	\$ 56,150	\$ 58,200	\$ 220,566
ASC 606 impact ^	(53)	(192)	(93)	(143)	(481)
Revenue with ASC 606 impact	\$ 51,879	\$ 54,092	\$ 56,057	\$ 58,057	\$ 220,085
Sales and marketing as historically reported	\$ 17,079	\$ 18,741	\$ 18,239	\$ 19,236	\$ 73,295
ASC 606 impact ^	(52)	(47)	(31)	(38)	(168)
ASC 340-40 impact ^	(4)	(374)	(570)	(918)	(1,866)
Sales and marketing with ASC 606 and ASC 340-40 impact	\$ 17,023	\$ 18,320	\$ 17,638	\$ 18,280	\$ 71,261
Total ASC 606 and ASC 340-40 impact on EBITDA	\$ 3	\$ 229	\$ 508	\$ 813	\$ 1,553
Income tax expense as historically reported	\$ 536	\$ 1,042	\$ 1,058	\$ 8,944	\$ 11,580
ASC 606 and ASC 340-40 impact ^	(11)	86	197	(1,510)	(1,238)
Income tax expense with ASC 606 and ASC 340-40 impact	\$ 525	\$ 1,128	\$ 1,255	\$ 7,434	\$ 10,342
Total ASC 606 and ASC 340-40 impact on net income	\$ 14	\$ 143	\$ 311	\$ 2,323	\$ 2,791
Adjustments to Balance Sheets					
Assets, impacted line items					
As historically reported					
Deferred costs	\$ 20,908	\$ 21,917	\$ 23,326	\$ 25,091	
Deferred costs, non-current	6,051	6,419	6,475	6,770	
Deferred income tax asset, non-current	28,408	27,524	26,628	17,551	
ASC 606/ASC 340-40 impact^					
Deferred costs	\$ 3,390	\$ 3,669	\$ 3,702	\$ 4,875	
Deferred costs, non-current	3,112	3,327	3,807	3,197	
Deferred income tax asset, non-current	(5,081)	(5,167)	(5,364)	(3,854)	
Total impact of ASC 606/ASC 340-40	\$ 1,421	\$ 1,829	\$ 2,145	\$ 4,218	
As adjusted					
Deferred costs	\$ 24,298	\$ 25,586	\$ 27,028	\$ 29,966	
Deferred costs, non-current	9,163	9,746	10,282	9,967	
Deferred income tax asset, non-current	23,327	22,357	21,264	13,697	
Liabilities/stockholders' equity, impacted line items					
As historically reported					
Accrued compensation	\$ 12,272	\$ 13,243	\$ 12,681	\$ 15,886	
Income tax effects of adjustments ^	15,803	16,624	16,209	16,407	
Deferred revenue, non-current	11,087	11,050	10,625	10,602	
Accumulated deficit	(14,490)	(12,665)	(10,800)	(19,902)	
ASC 606/ASC 340-40 impact^					
Accrued compensation	\$ (250)	\$ (177)	\$ (265)	\$ (658)	
Deferred revenue	1,479	1,489	1,352	1,456	
Deferred revenue, non-current	(8,322)	(8,140)	(7,910)	(7,871)	
Accumulated deficit	8,514	8,657	8,968	11,291	
Total impact of ASC 606/ASC 340-40	\$ 1,421	\$ 1,829	\$ 2,145	\$ 4,218	
As adjusted					
Accrued compensation	\$ 12,022	\$ 13,066	\$ 12,416	\$ 15,228	
Deferred revenue	17,282	18,113	17,561	17,863	
Deferred revenue, non-current	2,765	2,910	2,715	2,731	
Accumulated deficit	(5,976)	(4,008)	(1,832)	(8,611)	

^ Pursuant to the adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), and ASC 340-40, *Other Assets and Deferred Costs-Contracts With Customers*, in the first quarter of 2018, the Company adjusted its historical financial statements for 2016 and 2017 to reflect the new accounting guidance. The new standard impacts the accounting for certain upfront set-up fees and the periods over which the related revenues are recognized, the timing and periods over which expenses are recognized for sales commissions, the related tax impact due to changes in income (loss) before income taxes, and the related balance sheet accounts.



Reconciliation of Adjustments to Statements of Cash Flows and Supplemental Financial Data

(Unaudited; in thousands, except per share data)

	Q1	Q2	2017		YR
			Q3	Q4	
Adjustments to Statements of Cash Flows					
As historically reported, impacted line items					
Net income	\$ 2,971	\$ 1,825	\$ 1,865	\$ (9,101)	\$ (2,440)
Reconciliation of net income to net cash provided by operating activities					
Deferred income taxes	310	926	732	8,886	10,854
Changes in assets and liabilities					
Deferred costs	(1,649)	(1,376)	(1,462)	(2,061)	(6,548)
Accrued compensation	(1,508)	962	(594)	3,213	2,073
Deferred revenue	4,988	784	(840)	175	5,107
Net cash provided by operating activities	10,399	7,507	4,066	9,078	31,050
ASC 606 and ASC 340-40 impact ^					
Net income	\$ 14	\$ 143	\$ 311	\$ 2,323	\$ 2,791
Reconciliation of net income to net cash provided by operating activities					
Deferred income taxes	(11)	86	197	(1,510)	(1,238)
Changes in assets and liabilities					
Deferred costs	306	(494)	(513)	(564)	(1,265)
Accrued compensation	(362)	73	(88)	(392)	(769)
Deferred revenue	53	192	93	143	481
Net cash provided by operating activities	\$ -	\$ -	\$ -	\$ -	\$ -
As adjusted, impacted line items					
Net income	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351
Reconciliation of net income to net cash provided by operating activities					
Deferred income taxes	299	1,012	929	7,376	9,616
Changes in assets and liabilities					
Deferred costs	(1,343)	(1,870)	(1,975)	(2,625)	(7,813)
Accrued compensation	(1,870)	1,035	(682)	2,821	1,304
Deferred revenue	5,041	976	(747)	318	5,588
Net cash provided by operating activities	10,399	7,507	4,066	9,078	31,050
Adjustments to Supplemental Financial Data					
Non-GAAP income					
As historically reported, impacted line items					
Net income (loss)	\$ 2,971	\$ 1,825	\$ 1,865	\$ (9,101)	\$ (2,440)
Discrete impact from tax law change	-	-	-	8,613	8,613
Income tax effects of adjustments	(2,133)	(1,211)	(1,259)	(2,171)	(6,774)
Adjustments					
Net income (loss) ^	\$ 14	\$ 143	\$ 311	\$ 2,323	\$ 2,791
Discrete impact from tax law change ^	-	-	-	(1,815)	(1,815)
Income tax effects of adjustments ^	(9)	(2)	5	5	(1)
Income tax effects of adjustments *	-	-	-	-	-
Total, impact of adoption of accounting pronouncements	\$ 5	\$ 141	\$ 316	\$ 513	\$ 975
As adjusted, impacted line items					
Net income (loss)	\$ 2,985	\$ 1,968	\$ 2,176	\$ (6,778)	\$ 351
Discrete impact from tax law change	-	-	-	6,798	6,798
Income tax effects of adjustments	(2,142)	(1,213)	(1,254)	(2,166)	(6,775)
Non-GAAP income per share					
As historically reported					
Basic	\$ 0.25	\$ 0.23	\$ 0.24	\$ 0.25	\$ 0.97
Diluted	\$ 0.25	\$ 0.23	\$ 0.23	\$ 0.25	\$ 0.96
ASC 606 and ASC 340 Adjustments					
Basic	\$ -	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.06
Diluted	\$ -	\$ -	\$ 0.02	\$ 0.03	\$ 0.06
Stock Split Adjustments					
Basic **	\$ (0.13)	\$ (0.12)	\$ (0.13)	\$ (0.14)	\$ (0.51)
Diluted **	\$ (0.13)	\$ (0.12)	\$ (0.13)	\$ (0.14)	\$ (0.51)
As adjusted					
Basic	\$ 0.13	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.51
Diluted	\$ 0.13	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.51

^ In the first quarter of 2018, and pursuant to the adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), and ASC 340-40, *Other Assets and Deferred Costs-Contracts With Customers*, the Company adjusted its historical financial statements for 2016 and 2017 to reflect the new accounting guidance. The new standard impacts the accounting for certain upfront set-up fees and the periods over which the related revenues are recognized, the timing and periods over which expenses are recognized for sales commissions, the related tax impact due to changes in income (loss) before income taxes, and the related balance sheet accounts.

* In the first quarter of 2017, and pursuant to Compliance and Disclosure Interpretations published by the U.S. Securities and Exchange Commission in May 2016 (the "May C&DI") related to the use of non-GAAP financial measures, the Company began including an adjustment to non-GAAP income to reflect the income tax effects of the adjustments to GAAP net income. To quantify these tax effects, SPS Commerce recalculates income tax expense excluding the direct book and tax effects of the specific items constituting the non-GAAP adjustments (e.g., stock-based compensation expense). The difference between this recalculated income tax expense and GAAP income tax expense is presented as the income tax effect of the non-GAAP adjustments.

** Due to the two-for-one stock split of the Company's common stock, this amount have been adjusted from the amount originally reported.