

EXPANDING OUR
Retail Network.

EXTENDING OUR
Market Leadership.

2019 ANNUAL REPORT



SPS COMMERCE

TO OUR STOCKHOLDERS

2019 was a year of significant accomplishments for SPS Commerce. We delivered on our strategic goals and financial targets as we continued to expand our community of trading partners and leverage the unique lead-generation engine fueled by the power of the SPS Commerce Network. The fourth quarter of 2019 represented our seventy-sixth consecutive quarter of revenue growth.

For the full year, revenue grew 12% to \$279.1 million and recurring revenue grew 14%. Adjusted EBITDA* grew 36% to \$69.8 million. Our consistent focus on profitability resulted in adjusted EBITDA* margin of 25% in 2019, up from 21% in 2018 and 16% in 2017. In 2019, the number of recurring revenue customers reached approximately 30,800, and wallet share, or average revenue per recurring revenue customer, was approximately \$8,700.

Throughout the year we saw retail dynamics continue to stabilize. We believe the need for optimizing fulfillment and increasing collaboration among trading partners positions SPS Commerce to capitalize on long-term growth opportunities. We experienced another year of strong enablement campaign activity, with 15% growth in Fulfillment and 8% growth in Analytics.

Other achievements in 2019 include:

- We expanded the size and strength of our retail network and now have over 90,000 customers and over 30,000 recurring revenue customers, nearly three times the number of recurring revenue customers since we went public in 2010.
- To advance and expand our product leadership across all retail channels and deliver the easiest-to-use, most automated EDI solutions, we leveraged partnerships with leading ERP and EDI system providers. In 2019, we acquired MAPADOC, a strategic partner that we have worked with over the past 15 years to jointly deliver EDI and system expertise in the Sage and Acumatica markets.
- We repurchased 418,000 shares at an average price of \$49.38 per share. We remain committed to shareholder value and with the expiration of the \$50 million 2017 stock repurchase program, our board of directors authorized a new stock repurchase program for \$50 million in November 2019.

Our ongoing focus on sustained growth and profitability is inherent in our business model, and we believe our ability to scale is unique due to the retail network of over 90,000 customers that fuel our lead-generation engine with every new engagement. We are encouraged by our position as the world's largest cloud retail network. Beyond 2020, we believe we have the ability to continue to deliver 10% or greater annual revenue growth as we capitalize on global retail industry dynamics, the viral lead-generation nature of our business model, and the opportunity to upsell and cross-sell industry-leading products. We also expect to see continued margin expansion with strong operating leverage driving 20% annual adjusted EBITDA dollar growth and, long-term, we believe we can ultimately attain an adjusted EBITDA margin target of 35%.

In closing, I am proud of our strong execution in 2019 and I would like to thank all SPS Commerce employees and customers for their continued dedication and commitment as we celebrate our 10th year as a public company. With our vast trading community and leading product offerings that span all retail channels, SPS Commerce is positioned to become the world's retail network.

Sincerely,



Archie Black
President and CEO

*We use Adjusted EBITDA as a measure of operating performance because it assists us in comparing performance on a consistent basis, as it removes the impact of our capital structure from our operating results. A reconciliation of net income to Adjusted EBITDA can be found on page 32 within the attached Form 10-K.



Executive Officers

Archie Black, Chief Executive Officer and President
Kim Nelson, Executive Vice President and Chief Financial Officer
Jim Frome, Executive Vice President and Chief Operating Officer

Board of Directors

Archie Black
James Ramsey
Marty Leestma
Marty Réaume
Phil Soran
Sven Wehrwein
Tami Reller

Corporate Headquarters

333 South Seventh Street, Suite 1000
Minneapolis, MN 55402 USA
Toll-free phone: 866-245-8100

Market Listing

Nasdaq Global Market Symbol: SPSC

Annual Meeting

Thursday May 21, 2020

Independent Public Accountants

KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402 USA

Transfer Agent & Registrar

EQ Shareowner Services
1110 Centre Point Curve
Suite 101
Mendota Heights, MN 55120 USA
1-800-468-9716
shareowneronline.com

Legal Counsel

Faegre Drinker Biddle & Reath, LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402 USA

SPS COMMERCE
CORPORATE HEADQUARTERS
333 South Seventh Street, Suite 1000
Minneapolis, MN 55402 USA
Toll-free: (866) 245-8100
Main: (612) 435-9400

AMSTERDAM: +31 020 8881723
BEIJING: +86 10 5940 1616
HONG KONG: +852 5808 6596
KYIV: +38 057 732 0960
MELBOURNE: +61 3 9847 7000
TORONTO: 888 550 8665
SYDNEY: +61 2 8073 8209

spscommerce.com

