

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-K**

(Mark One)

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

For the Fiscal Year Ended: December 31, 2022

or

**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**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

41-2015127  
*(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)

**Securities registered pursuant to Section 12(g) of the Act:**  
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

As of June 30, 2022, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of shares of the registrant's common stock held by non-affiliates of the registrant (based upon the closing sale price of \$113.05 per share on the Nasdaq Global Market on such date) was approximately \$4.1 billion.

The number of shares of the registrant's common stock, par value \$0.001 per share, outstanding as of February 10, 2023 was 36,312,238 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 12, 2023 (the "2023 Proxy Statement"), which is expected to be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference in Part III of this Annual Report on Form 10-K.

Auditor Firm Id:	185	Auditor Name:	KPMG, LLP	Auditor Location:	Minneapolis, MN
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**SPS COMMERCE, INC.**  
**ANNUAL REPORT ON FORM 10-K**  
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*Unless the context otherwise requires, for purposes of the Annual Report on Form 10-K, the words “we,” “us,” “our,” the “Company,” “SPS,” and “SPS Commerce” refer to SPS Commerce, Inc.*



## SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

*This Annual Report on Form 10-K 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 in Part I, Item IA, “Risk Factors” of this Annual Report on Form 10-K for the year ended December 31, 2022, as may be updated in our subsequent Quarterly Reports on Form 10-Q or other filings 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 Securities and Exchange Commission (“SEC”) that advise interested parties of the risks and factors that may affect our business.*



## PART I

## Item 1. 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.

As of December 31, 2022, we had 42,300 customers with ongoing contracts to pay us monthly fees, which we refer to as recurring revenue customers. In addition to our recurring revenue customers, to date we have provided our cloud-based supply chain management services to 72,700 other organizations, and we refer to the combination as our customers. Once connected to the SPS Commerce cloud-based retail network, our customers often require additional integrations to new organizations that represent an expansion of our cloud-based network and new sources of revenues for us.

For the years ended December 31, 2022, 2021, and 2020, we generated revenues of \$450.9 million, \$385.3 million, and \$312.6 million, respectively. Our quarter ended December 31, 2022 represented our 88th consecutive quarter of revenue growth. Recurring revenues from recurring revenue customers accounted for 93%, 92%, and 94% of our total revenues for the years ended December 31, 2022, 2021, and 2020, respectively. Our revenues are not concentrated with any customer, as our largest customer represented less than 1% of total revenues for the years ended December 31, 2022, 2021, and 2020.

## Increasing Demand for a Retail Network

The retail industry has undergone many changes in recent years, which have accelerated the need for a more automated supply chain. To navigate disruptions and meet growing consumer demands, companies across the retail ecosystem need to integrate their operations and communications from wholesale, eCommerce, and marketplace sales channels into a single omnichannel process. These channels no longer operate independently but instead in an interconnected fashion as consumers demand more buying and delivery options. The coordination needed to manage multiple channels adds complexity to supply chains and trading partner relationships.

The SPS Commerce retail network offers a single destination where companies can manage item details, orders, shipments, invoices, and much more for any customer and any channel. The network provides businesses with a comprehensive view of retail transactions, enabling them to optimize inventory and fulfill orders efficiently, regardless of channel. Customers use our retail network to manage all channels in a single system, saving time and reducing errors.

## Our Products

SPS Commerce operates one of the largest retail networks in the world to improve the way retailers, grocers, distributors, suppliers, and logistics firms manage digital item catalogs, fulfill omnichannel orders, optimize sell-through performance, and automate new trading relationships. To date, 115,000 customers across 85 countries have used SPS Commerce products to expand and optimize the performance of their trading relationships through the network.

Our products fundamentally change how organizations communicate information to manage their omnichannel, supply chain, and other business requirements. Our products replace traditional, manual, or disparate approaches (such as email, phone, and fax), multiple channel-specific solution providers, as well as custom-built, point-to-point integrations by delivering a single smart connection to the entire SPS Commerce retail network of prebuilt connections to thousands of global trading partners.

## Our products include:

- **Fulfillment** - Our Fulfillment product is a full-service electronic data interchange ("EDI") solution that scales as a business grows. Companies can use a single system to manage orders and logistics from all sales channels, including wholesale, eCommerce, and marketplaces. Fulfillment is configurable for any trading partner, document or business system used for order management and offers a full suite of tools to help businesses efficiently manage their supply chain.



- **Analytics** - Our Analytics product enables organizations to improve visibility into how products are selling through a single connection across all sales channels, including wholesale, eCommerce, and marketplaces. Analytics improves access and usage of sales and inventory data through a combination of our analytics applications, network of connections, and industry-leading expertise.
- **Other Products** - We provide several complementary products, such as:
  - Assortment - Our Assortment product simplifies the communication of robust, accurate item data by automatically translating item attributes, and hierarchies through a single connection across all sales channels.
  - Community - Our Community product allows organizations to accelerate digitization of their supply chain and improve collaboration with suppliers through proven change management and onboarding programs.

In addition to these offerings, we also provide one-time services such as professional services and testing and certification.

## Growing Our Network

As one of the largest providers of cloud-based services for retail supply chain management, SPS Commerce enables trading partner relationships among retailer, grocer, distributor, supplier, and logistics firms that naturally lead to new customer acquisition opportunities.

### “Network Effect”

Once connected to our retail network, trading partners can exchange electronic supply chain information with each other. The value of our network increases with the number of trading partners connected to it. After joining our retail network, customers often find that many of their existing or new trading partners are already on the network, allowing for easy connections. The addition of each new customer enables that new customer to communicate with our existing customers and permits our existing customers to do business with the new customer. This “network effect” of adding additional customers to our products’ infrastructure creates a significant opportunity for existing customers to realize incremental sales by working with our new trading partners and vice versa. As a result of this increased volume of activity among our network participants, we earn additional revenues from these participants.

### Customer Acquisition Sources

**Community** - As retailers and suppliers reshape how they do business in an omnichannel landscape, they need to bring new capabilities and services to their trading partner networks. Our Community product is designed to manage this process and bring suppliers into compliance with new requirements. For instance, a supplier may wish to collaborate with their retailers around point-of-sale analytics data, or a retailer may decide to change the workflow or protocol by which it interacts with its suppliers. In each case, the supplier and retailer may engage us to work with their trading partner base to enable the new capability. Performing these programs on behalf of retailers and suppliers generates supplier sales leads for us.

**Referrals from Our Customers** - We also receive sales leads from our customers seeking to communicate electronically with their trading partners. For example, a supplier may refer a third-party logistics provider or manufacturer, which is not in our network, to us.

**Direct Marketing** - We employ various marketing strategies. Our marketing programs include a variety of lead generating activities including digital marketing, conferences and trade shows, sponsored events, and public relations activities targeted at key decision makers within our prospective customers.

**Channel Partners** - In addition to the customer acquisition sources identified above, we market and sell our products through a variety of channel partners, including software providers, resellers, system integrators, and logistics partners. For example, software partners such as Microsoft, NetSuite, Oracle, SAP, Sage, and their business partner communities generate sales for us as part of broader enterprise resource planning, warehouse management system and/or transportation management system sales efforts. Our logistics partners also drive new sales both by providing leads and by embedding our products as part of their service offerings.



## Our Growth Strategy

Our objective is to be the leading global retail network and provider of supply chain management products. Key elements of our strategy include:

- **Further Penetrate Our Current Market** - We believe the global supply chain management market is underpenetrated. As the retail industry continues to respond to the changing requirements of the omnichannel marketplace, and as the supply chain ecosystem becomes more complex and geographically dispersed, we believe the demand for supply chain management solutions will increase. We intend to continue leveraging our relationships with customers and their trading partners to obtain new sales leads.
- **Increase Revenues from Our Customer Base** - We believe our overall customer satisfaction is strong and will lead our customers to further expand their use of our products they have purchased, as well as purchase additional products to continue improving the performance of their trading partner relationships, generating additional revenues for us. We also expect to introduce new products to sell to our customers. We believe our position as the incumbent supply chain management solution provider to our customers, our integration into our recurring revenue customers' business systems, and the modular nature of our cloud-based products are conducive to deploying additional products with customers.
- **Expand Our Distribution Channels** - We intend to grow our business by expanding our sales capacity to gain new customers. We also believe there are valuable opportunities to promote and sell our products through collaboration with other providers.
- **Expand Our International Presence** - We believe our presence in Asia Pacific, as well as in Europe, represents a significant competitive advantage. We plan to increase our global sales efforts to obtain new customers around the world. We intend to leverage our current global presence to increase the number of integrations we have with retailers in foreign markets to make our products more valuable to their trading partners based overseas.
- **Enhance and Expand Our Services** - We intend to further improve and develop the functionality and features of our cloud-based products, including, from time to time, developing new offerings and applications.
- **Selectively Pursue Strategic Acquisitions** - The nature of our market provides an opportunity for selective acquisitions. We plan to continue to evaluate potential acquisitions based on the number of new customers, revenue, functionality, or geographic reach the acquisition would provide relative to the purchase price, and our ability to integrate and operate the acquired business. In 2022, we acquired GCommerce, Inc. ("GCommerce"), a leading EDI provider within the automotive aftermarket industry. Also in 2022, we acquired InterTrade Systems Inc. ("InterTrade"), a leading EDI provider within the apparel and general merchandising markets. These acquisitions further extend the capabilities of our network and added new customers and technology.

## Our Market Opportunity

We believe we have a significant market opportunity to help organizations accelerate their omnichannel retail strategies with our retail network and supply chain products.

- **Omnichannel retail requires new connections/transactions** - Each sales channel (wholesale, eCommerce, and marketplaces) brings new trading partners to the supply chain process. As customers expand their business, the SPS Commerce retail network is a core part of their omnichannel strategy. Each additional channel brings more reliance and volume to the network and increases customer revenue.
- **Retail needs automation** - With increased retail store openings and closings, labor shortages, supply chain disruptions, and new buying patterns, retailers are demanding more from their trading partners as they need to be agile and transition their businesses as markets change. Businesses using SPS Commerce products to automate supply chain functions with their trading partners can pivot quickly to new delivery models and capture market share. The visibility into orders, shipments, and inventory gained by automating trading relationships on the SPS Commerce retail network is critical to their success and offers a competitive advantage.
- **Consumers want new products** - Retail assortments are ever-changing with seasonality shifts and new product introductions from companies of all sizes. Consumers want the latest products and retailers are continually chasing trends, offering differentiated items, and introducing new products and suppliers to their



supply chains. As retailers evolve, their trading partner relationships must support any new product introductions or new suppliers to achieve their merchandising goals. The SPS Commerce retail network automates these relationships to quickly secure product details, initiate orders, and track performance to help keep operations running smoothly.

## Technology, Development and Operations

### Technology

SPS Commerce was an early provider of cloud-services to the retail supply chain management industry, launching the first version of what would become our current services in 1997. We use commercially available hardware and cloud-services with a combination of proprietary and commercially available software.

Our cloud-service model treats all customers as logically separate tenants within a shared virtual infrastructure. As a result, we spread the cost of delivering our products across our customer base. Because we do not manage thousands of distinct applications with their own business logic and database schemes, we can scale our business faster than traditional software vendors, even those that modified their products to be accessible over the internet.

### Development

Our research and development efforts focus on maintaining, improving, and enhancing our existing products, as well as developing new products and applications. Our multi-tenant products serve all of our customers, which allows us to maintain relatively low research and development expenses and release software updates more frequently compared to traditional on-premise licensed software products that support multiple versions. Our development efforts take place at our U.S. locations in Minnesota and New Jersey, as well as in Melbourne, Australia; Toronto, Canada; and Kyiv, Ukraine.

### Operations

We operate our infrastructure in third-party data centers located throughout the United States ("U.S.") and in Australia, as well as provisioned services with cloud providers. In most cases, infrastructure and services are managed by us.

We have internal and third-party monitoring software that continually checks our cloud-based network and key underlying components for continuous availability and performance, helping ensure that the network is always available and providing desired service levels. We have a technology team that includes system provisioning, management, maintenance, monitoring, and back-up.

We operate a service architecture using industry best practices to ensure multiple points of redundancy, high availability, and scale as needed. Our databases are replicated between locations with a defined recovery point objective.

## Sales & Marketing

We sell our products through an employed global sales force that focuses on retailers, grocers, distributors, suppliers, and logistics firms.

Our marketing teams focus on driving awareness and demand for our products through the following activities:

- **Demand Generation** - Engages with target audiences using the latest digital marketing strategies to bring opportunities to our sales teams.
- **Communications** - Manages our brand, public relations, and go-to-market support.
- **Product Marketing** - Equips our sales teams, performs market studies, and promotes the unique capabilities of each of our products using our go-to-market strategies.
- **Events** - Highlights our presence at industry trade shows and orchestrates virtual and in-person events.

## Customer Success

The Customer Success team includes retail and technology experts who implement our products on our customers' behalf, provide ongoing support, and collaborate with accounts to identify opportunities for added value from their existing products. This team focuses on delivering services that build customer satisfaction and result in high customer retention rates.



## Competition

Vendors in the supply chain management industry offer products through three delivery methods: traditional on-premise software, cloud-based managed services, and cloud-based full-service products.

The market for cloud-based supply chain management products is fragmented and rapidly evolving. Cloud-service vendors compete directly with each other based mainly on the following:

- the breadth of pre-built network connections to retailers, third-party logistics providers, and other trading partners;
- a history of establishing and maintaining reliable connections with trading partners;
- the reputation of the cloud-service vendor in the supply chain management industry;
- price;
- specialization in a customer market segment;
- speed and quality with which the cloud-service vendor can integrate its customers to their trading partners;
- functionality of the cloud-service product, such as the ability to integrate the product with a customer's business systems;
- breadth of complementary supply chain management products the cloud-service vendor offers; and
- training and customer support services provided during and after a customer's initial integration.

We expect to encounter new and increased competition as this market segment consolidates and matures. Consolidation among cloud-service vendors could create a direct competitor that can compete with us more effectively than the numerous, smaller vendors currently offering cloud-service supply chain management products. Increased competition from cloud-service vendors could reduce our market share, revenues, and operating margins or otherwise adversely affect our business.

Cloud-service vendors also compete with traditional on-premise software companies. Traditional on-premise software companies focused on supply chain integration management include IBM Sterling and OpenText. These companies offer a "do-it-yourself" method in which customers purchase, install, and manage specialized software, hardware, and value-added networks for their supply chain integration needs. This method requires customers to invest in staff to operate and maintain the software. Traditional on-premise software companies use a single-tenant approach in which information maps to retailers are built for and used by one supplier, as compared to cloud-service products that allow multiple customers to share information maps with a retailer.

Managed service providers focused on the supply chain management market include IBM Sterling, OpenText, TrueCommerce and many other small providers. These companies offer a cloud-based product in which they develop and maintain the core technology, while the customer's internal staff is responsible for the day-to-day customization, optimization, and operations of the technology.

In contrast, full-service providers, including SPS Commerce, offer cloud-based products and expert resources that customize, optimize, and operate the technology. This approach offloads the time-intensive process of managing these products, which is not a core competency for most businesses.

Customers of traditional on-premise software providers must typically make significant upfront investments in the supply chain management products these competitors provide, which can decrease customers' willingness to abandon their investments in favor of a cloud-service product. Cloud-service vendors compete with these traditional software products based on the total cost of ownership and flexibility.

## Intellectual Property and Proprietary Content

SPS Commerce relies on a combination of copyright, trademark, and trade secret laws as well as confidentiality procedures and contractual provisions to protect our proprietary technology and our brand. We enter into confidentiality and proprietary rights agreements with our employees, consultants and additional third parties, and control access to software, documentation, and other proprietary information. We have registered trademarks and pending trademark applications in the U.S. and certain foreign countries.

Depending on the jurisdiction, trademarks are generally valid as long as they are in use or their registrations are properly maintained, and they have not been found to have become generic. Registrations of trademarks can also generally be renewed indefinitely as long as the trademarks are in use. We have one patent we acquired through the acquisition of





GCommerce. Our trade secrets consist primarily of the software we have developed for our SPS Commerce cloud-based products and network. Our software is also protected under copyright law, but we do not have any registered copyrights.

## Human Capital

As of December 31, 2022, our employees worked across the following functional areas:

	# of Employees
Cost of revenues	1,122
Sales and marketing	557
Research and development	359
General and administrative	177
<b>Total employees</b>	<b>2,215</b>

Substantially all of our employees are employed on a full-time basis, 84% of which are based in North America. We also engage independent contractors to support our operations. None of our employees are represented by a labor union.

We believe our employees have and will continue to be a primary reason for our growth and success. SPS values diversity, equity, and inclusion and believes that our differences make us, our customers, and our communities better. We strive to create an organization where every employee feels welcomed and is empowered to do their best work. Our core values drive our culture and are foundational to how we create an engaging workplace, how we train and develop our teams, and how we identify the right talent for the organization. Our values guide our interactions with our customers, partners, and one another.

We offer our employees pay and benefits packages that we believe are competitive with others in our industry, as well as within the local markets in which we operate, and that align individual performance with our success. To foster an engaged and motivated team we provide training, development, review and feedback programs to develop employees' expertise and skillsets, as well as strive to provide a safe, harassment-free work environment guided by principles of fair and equal treatment. As a result, we believe our employees are committed to building strong, innovative, and long-term relationships with each other and our organization in order to succeed together and with our customers. The health and wellness of our employees is also very important to us. We have, where possible, offered remote work flexibility, without significant impacts to productivity.

We support several Employee Resource Groups ("ERGs") to encourage connections across the globe and support a sense of belonging at SPS. Current ERGs include the Black Business Resource Group, the Diversity & Inclusion Group, the LGBTQ+ Resource Group, and Women in Tech. These groups provide support for employees and allies, give employees the chance to build community and connections, develop and grow, as well as further shape our culture to create a more inclusive workplace.

## Company Information

We were originally incorporated as St. Paul Software, Inc., a Minnesota corporation, on January 28, 1987. On May 30, 2001, we reincorporated in Delaware under our current name, SPS Commerce, Inc. Our principal executive offices are located at the address listed below. Our telephone number is (612) 435-9400 and our website address is [www.spscommerce.com](http://www.spscommerce.com). Information on our website does not constitute part of this Annual Report on Form 10-K or any other report we file or furnish with the SEC.

SPS Commerce, Inc.  
333 South Seventh Street  
Suite 1000  
Minneapolis, MN 55402

## Available Information

We provide free access to various reports that we file with or furnish to the SEC through our website at [www.spscommerce.com](http://www.spscommerce.com), as soon as reasonably practicable after they have been filed or furnished. These reports include, but are not limited to, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to these reports. Our SEC reports can be accessed through the investor relations section of our website or through the SEC's website at [www.sec.gov](http://www.sec.gov). Stockholders may also request copies of these documents by writing to us at the address above, with attention to "Investor Relations".



## Item 1A. Risk Factors

Set forth below and elsewhere in this Annual Report on Form 10-K, and in other documents we file with the SEC, are risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this Annual Report on Form 10-K and in other written and oral communications from time to time. You should carefully consider all of the following risks and the other information in this Report and our other filings with the SEC before you decide to invest in our Company or to maintain or increase your investment. Our business could be harmed by any of these risks. The trading price of our common stock could decline due to any of these risks. In assessing these risks, you should also refer to the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes.

The risks included in this section are not the only ones we face. We operate in a very competitive and rapidly changing environment. New risk factors emerge from time-to-time, and it is not possible for management to predict all such risk factors, nor can it assess the potential impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those in any forward-looking statements. If any of the following risks actually occur, our business, results of operations, financial condition and future prospects would likely suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

### Business

**If we are unable to attract new customers, or sell additional products to existing customers, or if our customers do not increase their use of our products, our revenue growth and profitability will be adversely affected.**

To increase our revenue and achieve and maintain profitability, we believe that we must regularly add new customers, sell additional products to existing customers, and our customers must increase their use of the products for which they currently subscribe. We intend to grow our business by retaining and attracting talent, developing strategic relationships with resellers, including resellers that incorporate our applications in their offerings, and increasing our marketing activities. If we are unable to hire or retain quality personnel, convert companies that have been referred to us by our existing network into paying customers, ensure the effectiveness of our marketing programs, or if our existing or new customers do not perceive our products to be of sufficiently high value and quality, we might not be able to increase sales and our operating results will be adversely affected. If we fail to sell our products to existing or new customers, we will not generate anticipated revenues from these products, our operating results will suffer, and we will not be able to grow our revenues or maintain profitability as planned.

**We do not have long-term contracts with most of our recurring revenue customers, and therefore a lack of success in maintaining or improving forecasted renewal rates will have adverse effects on revenue and financial results.**

Most of our contracts with our recurring revenue customers allow the customer to cancel the contract for any reason with 30 to 90 days' notice. Our continued success therefore depends significantly on our ability to meet or exceed our recurring revenue customers' expectations because most recurring revenue customers do not make long-term commitments to use our products. In addition, if our reputation in the supply chain management industry is harmed or diminished for any reason, our recurring revenue customers have the ability to terminate their relationship with us on short notice and seek alternative supply chain management solutions. We may also not be able to accurately predict future trends in customer renewals, and our customers' renewal rates may decline or fluctuate because of several factors, including their dissatisfaction with our services, the cost of our services compared to the cost of services offered by our competitors and reductions in our customers' spending levels. If a significant number of recurring revenue customers seek to terminate their relationship with us, our business, results of operations and financial condition would be adversely affected in a short period of time.

**Economic weakness and uncertainty could adversely affect our revenue, lengthen our sales cycles, and make it more difficult for us to forecast operating results accurately.**

Our revenues depend significantly on general economic conditions and the sustainability and health of retailers. Economic weakness and constrained retail spending may result in slower growth, or reductions, in revenues and gross profits in the future. We have experienced, and may experience in the future, reduced spending in our business due to financial turmoil affecting the U.S. and global economy, and other macroeconomic factors affecting spending behavior. Uncertainty about future economic conditions increases the difficulty of forecasting operating results and making decisions about future investments. In addition, economic conditions or uncertainty may cause customers and potential customers to reduce or delay technology purchases, including purchases of our products. Our sales cycles may lengthen if purchasing



decisions are delayed as a result of uncertain technology or development budgets or contract negotiations become more protracted or difficult as customers institute additional internal approvals for technology purchases. Delays or reductions in technology spending could have a material adverse effect on demand for our products, and consequently our results of operations and prospects.

**Our continued growth could significantly strain our personnel resources and infrastructure, and if we are unable to implement appropriate controls and procedures to manage our growth, we may not be able to implement our business plan successfully.**

We have experienced a period of rapid growth in our headcount and operations. To the extent that we are able to sustain such growth, it might place a significant strain on our management, administrative, operational, and financial resources, and infrastructure. Our success will depend in part upon the ability of our senior management to manage this growth effectively. To do so, we must continue to hire, train, and manage new employees as needed. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. If we fail to successfully manage our growth, we will be unable to execute our business plan as expected.

**If we fail to attract, retain, and train members of our senior management team, including our Chief Executive Officer and other key personnel, our business plan would be impacted, and we might not be able to implement it successfully.**

Given the complex nature of the cloud-based technology through which our business operates and the speed with which such technology advances, our future success is dependent, in large part, upon our ability to attract, retain and train highly qualified key executive, managerial, technology, and sales personnel. Competition for talented personnel is intense and we cannot be certain that we can retain our key personnel or that we can attract, assimilate, or retain such personnel in the future to adequately scale our business. Additionally, the loss of any key or a significant number of personnel in our technology, customer success, or sales teams might significantly delay or prevent the achievement of our business objectives and could materially harm our business, customer relationships, results of operations and financial condition.

**If the market for cloud-based supply chain management products declines or does not maintain its historical growth rates, our revenues may decline or fail to grow, and we may incur operating losses.**

We derive, and expect to continue to derive, substantially all of our revenues from providing cloud-based supply chain management products to retailers, grocers, distributors, suppliers, and logistics firms. The market for these products has historically experienced growth, but it is uncertain whether these products will continue or sustain growing levels of demand and market acceptance. Our success will depend on the willingness of retailers and their trading partners to accept our products as an alternative to traditional licensed hardware and software products.

Some retailers, grocers, distributors, suppliers, or logistics firms may be reluctant or unwilling to use our cloud-based products for a number of reasons, including their potential significant initial investment to replace existing investments in supply chain management hardware and licensed software and perceived loss of control over user data with a cloud-based product. Other factors that may limit market acceptance of our cloud-based supply chain management products include:

- our ability to maintain high levels of customer satisfaction;
- our ability to maintain continuity of service for all users of our cloud-based products;
- the price, performance, and availability of competing products, both new and existing; and
- our ability to address customers' confidentiality and security concerns about information stored within our cloud-based products.

If customers do not perceive the benefits of our cloud-based supply chain management products, or if customers are unwilling to accept our cloud-based products as an alternative to the on-premise software or other options approach, demand for our products may not continue to grow or may grow more slowly than we expect, either of which would adversely affect our revenues, growth prospects, and overall operating results.



**The markets in which we participate are highly competitive, and our failure to compete successfully would make it difficult for us to add and retain customers and would reduce or impede the growth of our business.**

The markets for supply chain management products are increasingly competitive and global. We expect competition to increase in the future both from existing competitors and new companies that may enter our markets. We face competition from:

- cloud-service providers that deliver business-to-business information systems using a multi-tenant approach;
- traditional on-premise software providers; and
- managed service providers that combine traditional on-premise software with professional technology services.

Moreover, our industry is highly fragmented, and we believe it is likely that our existing competitors will continue to consolidate or will be acquired. In addition, some of our competitors may enter into new alliances with each other or may establish or strengthen cooperative relationships with systems integrators, third-party consulting firms or other parties. New entrants not currently considered to be competitors may also enter the market through new technology offerings, acquisitions, partnerships, or other strategic relationships. Any such new offerings, consolidation, acquisition, alliance or cooperative relationship could lead to pricing pressure, loss of customers and loss of market share, and could result in one or more competitors with greater financial, technical, marketing, service and other resources, all of which could have a material adverse effect on our business, operating results and financial condition. Increased competition could reduce our market share, revenues, and operating margins, increase our costs of operations, and otherwise adversely affect our business.

To remain competitive, we will need to invest continuously in software development, marketing, customer service and support, product delivery and other cloud-based network infrastructure. However, we cannot assure you that new or established competitors will not offer products that are superior to ours or lower in price than ours, or both. We may not have sufficient resources to continue the investments in all areas of software development, marketing, customer service and support and infrastructure needed to maintain our competitive position which may diminish our market share and business prospects.

**We may not be able to successfully integrate or otherwise operate newly acquired companies or businesses, which could adversely affect our financial results.**

Acquisitions involve numerous risks including:

- incurring significantly higher than anticipated capital expenditures and operating expenses;
- failing to assimilate the operations, customers, and personnel of the acquired company or business;
- disrupting our ongoing business;
- dissipating or distracting our management resources;
- dilution to existing stockholders from the issuance of equity securities;
- liabilities or other problems associated with the acquired business;
- becoming subject to adverse tax consequences, substantial depreciation, or deferred compensation charges;
- improper compliance with laws and regulations and exposure to other contingent liabilities;
- failing to maintain uniform standards, controls, and policies; and
- impairing relationships with employees and customers as a result of changes in management.

Fully integrating an acquired company or business into our operations may take a significant amount of time and resources. In addition, we may only be able to conduct limited due diligence on an acquired company's operations. Following an acquisition, we may be subject to liabilities arising from an acquired company's past or present operations, including liabilities related to data security, encryption and privacy of customer data, and these liabilities may be greater than the warranty and indemnity limitations that we negotiate. We cannot assure you that we will be successful in overcoming these risks or any other problems encountered with acquisitions. To the extent we do not successfully avoid or overcome the risks or problems related to any acquisitions, our results of operations and financial condition could be adversely affected. Future acquisitions also could impact our financial position and capital needs and could cause substantial fluctuations in our quarterly and yearly results of operations. We also may not be able to achieve anticipated synergies or financial results post acquisition, which could negatively impact our operations and financial results.



Acquisitions could include significant goodwill and intangible assets, which may result in future impairment charges that would reduce our stated earnings.

**Because our long-term success depends, in part, on our ability to expand the sales of our products to customers located outside of the United States and expand operations to support such expansion, our business will be increasingly susceptible to risks associated with international operations.**

Our limited experience in operating our business outside of the United States increases the risk that our current and any future international expansion efforts will not be successful. Expanding international sales and operations subjects us to new risks that, generally, we have not faced in the U.S., including:

- misjudging the markets and competitive landscape of foreign jurisdictions;
- fluctuations in currency exchange rates;
- unexpected changes in foreign regulatory requirements;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- difficulties in managing and staffing international operations;
- differing technology standards;
- potentially adverse tax consequences, including the complexities of foreign value added tax systems and restrictions on the repatriation of earnings;
- localization of our products, including translation into foreign languages and associated expenses;
- the burdens of complying with a wide variety of foreign laws and different legal standards, including laws and regulations related to privacy;
- increased financial accounting and reporting burdens and complexities;
- political, social, and economic instability abroad, terrorist attacks and security concerns in general;
- greater potential for corruption and bribery; and
- reduced or varied protection for intellectual property rights in some countries.

The occurrence of any one of these risks could adversely affect our international business and, consequently, our results of operations generally. Additionally, operating in international markets also requires significant management attention and financial resources. We cannot be certain that the investment and additional resources required in establishing, acquiring, or integrating operations in other countries will produce desired levels of revenues or profitability.

In addition, we operate in parts of the world that are recognized as having governmental corruption problems and where local customs and practices may not foster strict compliance with anti-corruption laws. Our continued operation and potential expansion outside the U.S. could increase the risk of such violations in the future. Despite our training and compliance programs, we cannot assure you that our internal control policies and procedures will protect us from unauthorized, reckless, or criminal acts committed by our employees or agents, including by third parties we utilize in foreign jurisdictions. In the event that we believe, or have reason to believe, that our employees or agents have or may have violated applicable anti-corruption laws, including the U.S. Foreign Corrupt Practices Act, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may result in severe civil and criminal sanctions and penalties, which could disrupt our business and have a material adverse effect on our reputation, results of operations or financial condition.

Any unrest, military activities, or sanctions impacting our international operations, should they occur, could disrupt operations, and have a material adverse effect on our business. Any such disruption to our operations may be prolonged and require a transition to alternative workforce locations. An alternative workforce location may be more expensive to train, staff, and operate and may cause delays and shortfalls in programming deliverables and services, thus potentially harming our business. Given our significant international workforce in Ukraine and the Philippines and the potentially volatile political and civil unrest situations in both areas, including but not limited to Russian interference and civil unrest with multiple groups, respectively, we are more susceptible to disruptions there. Those potentially disruptive environments are out of our control and we cannot predict the outcome of future developments or reactions to such developments by the U.S., European, Asian, Oceanic, United Nations or other international authorities and organizations.



**Our failure to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies could reduce our ability to compete successfully and adversely affect our results of operations.**

We may need to raise additional capital due to shortfalls in cash flow or for other reasons, and we may not be able to obtain debt or additional equity financing on favorable terms, if at all. If we raise additional equity financing, our security holders may experience significant dilution of their ownership interests and the value of shares of our common stock could decline. If we engage in debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness, force us to maintain specified liquidity or other ratios or restrict our ability to pay dividends or make acquisitions. If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- develop and enhance our products;
- continue to expand our technology development, sales, and marketing organizations;
- acquire new or complementary technologies, products, or businesses;
- hire, train and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

Our inability to do any of the foregoing could reduce our ability to compete successfully and adversely affect our results of operations.

**The extent to which public health emergencies such as epidemics, pandemics, or similar outbreaks may adversely impact our business, results of operations and financial condition will depend on on-going and future developments and outcomes, which are highly uncertain and cannot be predicted.**

Our business operations and financial results may be adversely impacted by public health emergencies, such as epidemics, pandemics, and similar outbreaks. Despite our efforts to manage these impacts, their ultimate impact also depends on factors beyond our knowledge or control, including the duration and severity of any such outbreak and actions taken to contain its spread and mitigate its public health effects.

Public health emergencies could have adverse impacts on our business operations by limiting our employees' ability to work and travel, disrupting our third-party technology providers, or causing internal operational workflow to change, among other potentially unforeseen circumstances given the uncertainties related to public health emergencies.

Additionally, public health emergencies may cause significant disruptions and changes in the economic or political conditions in markets in which we operate. This may cause significant volatility in demand for our services due to, among other adverse impacts, disruption and downturns in our customers' businesses and related supply chains, an acceleration of existing customer bankruptcies, or our customers' inability to pay for our services when due or in full. Although certain customers may have a reduced demand for our services, we also may see increased demand by certain customer segments, potentially offsetting reduced demand.

The COVID-19 pandemic could have adverse impacts on our business, including causing significant volatility in demand for our services due to disruption and downturns in our customers' businesses and related supply chains, disruptions to our third party technology providers, limitations on our employees' ability to work and travel, and significant changes in the economic or political conditions in markets in which we operate.

### **Products and Service Offerings**

**Any new products and changes to existing products we pursue could fail to attract or retain customers or generate expected revenues.**

Our ability to retain, increase, and engage our customers and to increase our revenues depends heavily on our ability to identify, develop, and launch successful new products. We may introduce significant changes to our existing products or develop and introduce new and unproven products which include or use technologies with which we have little or no prior development or operating experience. If new or enhanced products fail to garner expected customer demand in a timely manner or at all, we may fail to generate sufficient revenues, operating margin, or other value to justify our investments and our business may be adversely affected.



**Our business is dependent on our ability to maintain and scale our technical infrastructure, and any failure to effectively maintain or scale such infrastructure could damage our reputation, result in a potential loss of revenue, and adversely affect our financial results.**

Our reputation and ability to attract, retain and serve our customers is dependent upon the reliable performance of our cloud-based products and our underlying technical infrastructure and cloud providers. As our user base and the amount and types of information shared on our cloud-based network continue to grow, we will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy the needs of our users. It is possible that we or our cloud providers may fail to effectively maintain and scale our technical infrastructure to accommodate these increased demands. Any failure to effectively maintain and grow our technical infrastructure could result in interruptions or delays in service which may damage our reputation, result in a potential loss of customers, and adversely affect our financial results.

**Our inability to adapt to rapid technological change could impair our ability to remain competitive.**

The industry in which we compete is characterized by rapid technological change, frequent introductions of new products and evolving industry standards. Existing products can become obsolete and unmarketable when vendors introduce products utilizing new technologies or new industry standards emerge, and as a result, it is difficult for us to predict the life cycles of our products. Our ability to attract new customers and increase revenues from customers will depend in significant part on our ability to anticipate technological changes, and the corresponding impact on customer needs, evolving requirements, and future industry standards, and to continue to enhance our existing products or introduce or acquire new products to keep pace with such technological developments. The success of our enhanced or new products depend on several factors, including the timely completion, introduction and market acceptance of the enhancement or product. Any new product we develop or acquire might not be introduced in a timely or cost-effective manner and might not achieve the broad market acceptance necessary to generate expected revenues. If any of our competitors or new market entrants implement new technologies or upgrades to existing technologies before we are able to implement them, they may be able to provide more effective products than ours at lower prices. Any delay or failure in the introduction of new or enhanced products could adversely affect our business, results of operations and financial condition.

**We rely on third-party infrastructure, software and services that could take a significant time, and involve a complex transition, to replace or upgrade.**

We rely on infrastructure, software and services licensed from third parties to offer our cloud-based supply chain management products. This infrastructure, software, and services, as well as related maintenance and updates, may not continue to be available to us on commercially reasonable terms, or at all. If we lose the right to use or upgrade any of these licenses, our customers could experience delays or be unable to access our products until we can obtain and integrate equivalent technology. There might not always be commercially reasonable alternatives to the third-party infrastructure, software, and services that we currently license. Any such alternatives could be more difficult or costly to replace than what we currently license, and integration of the alternatives into our cloud-based products could require significant work and resources and delays. Any delays or failures associated with our cloud-based products could damage our reputation with current and potential customers and have an adverse effect on our business.

**Interruptions or delays from third-party data centers or to the telecommunications infrastructure we use or rely on could impair the delivery of our products and our business could suffer.**

We use third-party data centers, located in the U.S. and internationally, as well as provision services from cloud providers, to conduct our operations. Our ability to deliver our services depends on the development and maintenance of telecommunications infrastructure by third parties. This includes maintenance of a reliable network backbone with the necessary speed, data capacity, bandwidth capacity, and security. Our operations depend on the protection of the equipment and information we store in these third-party centers, or utilize from third-party providers, against damage or service interruptions that may be caused by fire, flood, severe storm, power loss, telecommunications failures, natural disasters, war, criminal act, military action, terrorist attack, financial failure of the service provider, and other events beyond our control. In addition, third-party malfeasance, such as intentional misconduct by computer hackers, unauthorized intrusions, computer viruses, ransomware, or denial of service attacks, may also cause substantial service disruptions. A prolonged service disruption affecting our products could damage our reputation with potential customers, cause us to lose existing customers, expose us to liability, or otherwise adversely affect our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the data centers or infrastructure we use or rely on, including the additional expense of transitioning to substitute facilities or service providers.



**A failure to protect the integrity and security of our customers' information and prevent cyber-attacks could materially damage our reputation, expose us to claims and litigation, and lead to service disruptions and harm our business. Additionally, the growing costs to avoid or reduce the risks of such a failure could adversely affect our results of operations.**

As demonstrated by the frequency and sophistication of material and high-profile data security breaches within the retail industry; computer malware, viruses, computer hacking, phishing attacks, spamming, ransomware, and other cyber threats have become more prevalent in our industry. Given the interconnected nature of the retail supply chain, our significant presence in the retail industry, and the occurrence of cyber-attacks on our system in the past, we believe that we are an attractive target for such attacks.

Our business involves the collection and use of confidential information of our customers and their trading partners which sometimes requires our direct access to our customers' information systems. Our security measures may be breached as a result of third-party action, including intentional misconduct by computer hackers via cyber-attacks, employee error, malfeasance, system errors or vulnerabilities, including vulnerabilities of our third-party vendors and customers, and result in someone obtaining unauthorized access to our customers' information and information systems. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as usernames, passwords, or other information in order to gain access to our customers' data or our data or IT systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Malicious third parties may also conduct attacks designed to temporarily deny customers access to our services.

Any failure to maintain performance, reliability, security and availability of our cloud-based products to the satisfaction of our customers, or any unauthorized access to our customers' information or systems may cause service disruptions, harm our reputation, impair our ability to retain existing customers and attract new customers and expose us to legal claims or government action, each of which could have a material adverse impact on our financial condition, results of operations and growth prospects. Although we are allocating more resources to address cyber threats and safeguard our products and services, including insurance in the event of a breach, we cannot assure you that these efforts to protect this confidential information and prevent unauthorized access to such information systems will be successful, and the growing costs related to these efforts could adversely affect our results of operations. In addition, because of the critical nature of information security and system access, any actual or perceived failure of our security measures could cause existing or potential customers not to use our products and harm our reputation.

Businesses in the retail industry have experienced material sales declines after discovering data security breaches, and our business could be similarly impacted in the event of a breach or other cyber incident. Furthermore, many U.S. states and international jurisdictions have enacted laws requiring companies to notify consumers of data security breaches involving their personal data. These mandatory disclosures regarding a data security breach often lead to widespread negative publicity, which may cause our customers to lose confidence in our products and the effectiveness of our data security measures.

**We may experience service failures or interruptions due to defects in the hardware, software, infrastructure, third-party components or processes that comprise our existing or new products, any of which could adversely affect our business.**

Technology products like ours may contain undetected defects in the hardware, software, infrastructure, third-party components or processes that are part of the products we provide. If these defects lead to service failures, we could experience delays or lost revenues, diversion of technology resources, negative media attention or increased service costs as a result of performance claims during the period required to correct the cause of the defects. We cannot be certain that defects will be avoided in our upgraded or new products, resulting in loss of, or delay in, market acceptance, which could have an adverse effect on our business, results of operations and financial condition.

Because customers use our cloud-based supply chain management products for critical business processes, any defect in our products, any disruption to our products or any error in execution could cause recurring revenue customers to cancel their contracts with us, cause potential customers to not join our network and harm our reputation. We could also be subject to litigation for actual or alleged losses to our customers' businesses, which may require us to spend significant time and money in litigation or arbitration or to pay significant settlements or damages. We do not currently maintain any warranty reserves. Moreover, defending a lawsuit, regardless of its merit, could be costly and divert management's attention and could cause our business to suffer.





The insurers under our existing liability insurance policy could deny coverage of a future claim that results from an error or defect in our technology or a resulting disruption in our products, or our existing liability insurance might not be adequate to cover any or all of the damages and other costs of such a claim. Moreover, we cannot assure you that our current liability insurance coverage will continue to be available to us on acceptable terms or at all. The successful assertion against us of one or more large claims that exceeds, or is not insured by, our insurance coverage, or the occurrence of changes in our liability insurance policy, including an increase in premiums or imposition of large deductible or co-insurance requirements, could have an adverse effect on our business, financial condition, and operating results.

**If open source, or other no-cost products and services, expand into enterprise application and supply chain software or products, our prices, revenues, and operating results may decline.**

The open source community is comprised of many different formal and informal groups of software developers and individuals who have created a wide variety of software and have made that software available for use, distribution, and modification, often free of charge. If developers contribute effective and scalable enterprise and supply chain application software to the open source community, or if competitors make such software or service available at no cost, we may need to lower our product pricing and alter our distribution strategy to compete successfully, and our revenues and operating results may decline as a result.

**The use of open source software in our products may expose us to additional risks and harm our intellectual property.**

Some of our products use or incorporate software that is subject to one or more open source licenses. Open source software is typically licensed under terms that require making the software freely accessible, usable, and modifiable. Failure to comply with these licenses may subject us to onerous requirements, such as offering our products that incorporate the open source software for no cost or making the source code we create based upon, incorporating, or using the open source software available for modifications or derivative works. If an author or third-party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our services that contained the open source software and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our products.

While we monitor the use of a majority of open source software in our products, processes and technology and work to ensure that open source software is not used in such a way as to require us to disclose the source code to the related product or products, such use could inadvertently occur. Additionally, if a third-party software provider has incorporated certain types of open source software into software we license from such third-party for our products, we could, under certain circumstances, be required to disclose the source code to our products. This could harm our intellectual property position and have a material adverse effect on our business, results of operations and financial condition.

**If we fail to protect our intellectual property and proprietary rights adequately, our business could suffer material adverse effects.**

We believe that proprietary technology is essential to establishing and maintaining our leadership position. We seek to protect our intellectual property through trade secrets, copyrights, confidentiality, non-compete and nondisclosure agreements, license agreements, trademarks, domain names and other measures, some of which afford only limited protection. We do not have any registered copyrights. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or reverse engineer aspects of our technology or to obtain and use information that we regard as proprietary. We cannot assure you that our means of protecting our proprietary rights will be adequate or that our competitors will not independently develop similar or superior technology or design around our intellectual property. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the U.S. intellectual property protections may also be unavailable, limited or difficult to enforce in some countries, which could make it easier for competitors to capture market share. Our failure to adequately protect our intellectual property and proprietary rights could adversely affect our business, financial condition, and results of operations.

In addition, if we resort to legal proceedings to enforce our intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, the proceedings could be burdensome and expensive, even if we were to prevail. Any such legal proceedings, including litigation, that are pursued in the future could result in substantial costs and diversion of resources and could have a material adverse effect on our business, operating results, or financial condition, regardless of whether we prevail in such proceedings.



**An assertion by a third-party that we are infringing its intellectual property, whether or not correct, could subject us to costly and time-consuming litigation or expensive licenses and our business might be materially harmed.**

The supply chain management industry and its enabling technologies are characterized by the existence of a large number of patents, copyrights, trademarks, and trade secrets and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. As we seek to extend our products, we could be constrained by the intellectual property rights of others.

We might not prevail in any intellectual property infringement litigation against us given, among other reasons, the complex technical issues, and inherent uncertainties in such litigation. Moreover, defending such claims, regardless of their merit, could be time-consuming and distracting to management, result in costly litigation or settlement, cause development delays, require us to enter into royalty or licensing agreements or require us to redesign our products to avoid infringement. If our products violate any third-party proprietary rights, we could be required to withdraw those products from the market, re-develop those products or seek to obtain licenses from third parties, which might not be available on reasonable terms or at all. Any efforts to re-develop our products, obtain licenses from third parties on favorable terms or license a substitute technology might be unsuccessful and, in any case, might substantially increase our costs and harm our business, financial condition and operating results. We also face risk of infringement or misappropriation claims if we hire an employee or contractor who possesses third-party proprietary information and who decides to use such information in connection with our products, services, or business processes without such third-party's authorization. Regardless of the source of such misuse of third-party intellectual property, any resulting withdrawal of our products from the market might materially harm our business, financial condition, and operating results.

In addition, we incorporate open source software into our cloud-based products. Given the nature of open source software, third parties might assert copyright and other intellectual property infringement claims against us based on our use of certain open source software programs. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that those licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our products. In that event, we could be required to seek licenses from third parties in order to continue offering our products, to re-develop our products or to discontinue sales of our products, or to release our proprietary software code under the terms of an open source license, any of which could have a material adverse effect on our business.

## Regulation

**Privacy concerns and laws, evolving regulation of the internet and cloud computing, cross-border data transfer restrictions and other domestic or foreign regulations may limit the use and adoption of our products and adversely affect our business.**

Regulation related to the provision of services on the internet is increasing, as federal, state, and foreign governments continue to adopt new laws and regulations addressing eCommerce generally, data privacy and the collection, processing, storage and use of personal information, including but not limited to the European Union's General Data Protection Regulation. We are particularly sensitive to these risks because the internet and the collection, processing, storage, and use of personal information are critical components of our cloud-based business model. Further, laws are increasingly aimed at the use of personal information for marketing purposes, such as the European Union's e-Privacy Directive, and the country-specific regulations that implement that directive. Such laws and regulations are subject to differing interpretations and are inconsistent among jurisdictions. These and other requirements could reduce demand for our products or restrict our ability to store and process data or, in some cases, impact our ability to offer, or develop new, services and products in certain locations.

In addition to government activity, privacy advocacy and other industry groups have established or may establish new self-regulatory standards that may place additional burdens on us. Our customers may expect us to meet voluntary certification or other standards established by third parties. If we are unable to maintain these certifications or meet these standards, it could adversely affect our ability to provide our products to certain customers and could harm our business.

The costs of compliance with and other burdens imposed by laws, regulations and standards are significant and may limit the use and adoption of our services and reduce overall demand for them, or lead to material fines, penalties, or liabilities for noncompliance.

Furthermore, concerns regarding data privacy may cause our customers' customers to resist providing the data necessary to allow our customers to use our service effectively. Even the perception that the privacy of personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales and adoption of our cloud-based products.



**Industry-specific regulation is evolving, and unfavorable or burdensome industry-specific laws, regulations or interpretive positions could harm our business.**

Our customers and potential customers do business in a variety of industries. Regulators in certain industries have adopted and may in the future adopt regulations or interpretive positions regarding the use of cloud computing and other outsourced services. The costs of compliance with, and other burdens imposed by, industry-specific laws, regulations and interpretive positions may limit customers' use and adoption of our services and reduce overall demand for our services. In addition, an inability to satisfy the standards of certain voluntary third-party certification bodies that our customers may expect may have an adverse impact on our business. If in the future we are unable to achieve or maintain these industry-specific certifications or other requirements or standards relevant to our customers, it may harm our business.

In some cases, industry-specific laws, regulations, or interpretive positions may also apply directly to us as a service provider. Any failure or perceived failure by us to comply with such requirements could have an adverse impact on our business.

***Ownership of Our Common Stock*****Our results of operations may fluctuate in the future, which could result in volatility in our stock price.**

Our quarterly revenues and results of operations have varied in the past and may fluctuate in the future. Fluctuations in our results of operations may be due to a number of factors, including, but not limited to, those listed below and identified throughout this "Risk Factors" section:

- our ability to retain and increase sales to customers and attract new customers, including our ability to maintain and increase our number of recurring revenue customers;
- the timing and success of introductions of new products or upgrades by us or our competitors;
- the strength of the U.S. and global economy, in particular, as it affects the U.S. retail sector;
- the financial condition of our customers;
- changes in our pricing policies or those of our competitors;
- competition, including entry into the industry by new competitors;
- the amount and timing of our expenses, including stock-based compensation and expenditures related to expanding our operations, supporting new customers, performing research and development, or introducing new products;
- changes in laws and regulations impacting our business;
- regulatory compliance costs and unforeseen legal expenses, including litigation and settlement costs;
- the timing, size, integration and operational success of potential future acquisitions;
- changes in the payment terms for our products; and
- system or service failures, security breaches or network downtime.

Due to the foregoing factors, and other risks, including those identified in this "Risk Factors" section, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on these comparisons of our past results of operations as an indication of our future performance.

Our operating results in one or more future quarters may fluctuate, fall below the expectations of securities analysts and investors, or be less than any guidance we may provide to the market. If this occurs, the trading price of our common stock could decline significantly.

**Our stock price may be volatile.**

Our stock price has fluctuated and may fluctuate in the future, depending on a number of factors, including:

- fluctuations in our guidance and quarterly financial results or the guidance or quarterly financial results of companies perceived to be similar to us;
- fluctuations in our recorded revenue, even during periods of significant sales order activity;
- fluctuations in stock market volume;



- changes in estimates of our financial results or recommendations by securities analysts;
- failure of any of our products to achieve or maintain market acceptance;
- changes in market valuations of companies perceived to be similar to us;
- success of competitive products or services;
- changes in our capital structure, such as future issuances of securities or the incurrence of debt;
- announcements by us or our competitors of significant products, contracts, acquisitions, or strategic alliances;
- legal or regulatory developments in the U.S., foreign countries, or both;
- litigation involving our company, our general industry or both;
- additions or departures of key personnel;
- investors' general perception of us; and
- changes in general economic, industry and market conditions.

In addition, if the market for software or technology stocks or the stock market in general experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition, or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to class action lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

**Our charter documents and Delaware law may delay, discourage, or inhibit a takeover that stockholders consider favorable.**

Provisions of our certificate of incorporation and bylaws and applicable provisions of Delaware law may delay, discourage, or inhibit transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests, and may ultimately result in the market price of our common stock being lower than it would be without these provisions. These provisions:

- permit our board of directors to issue up to 5,000,000 shares of preferred stock, with any rights, preferences and privileges as our board may designate, including the right to approve an acquisition or other change in our control;
- provide that the authorized number of directors may be changed by resolution of the board of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice; and
- do not provide for cumulative voting rights.

In addition, Section 203 of the Delaware General Corporation Law generally limits our ability to engage in any business combination with certain persons who own 15% or more of our outstanding voting stock or any of our associates or affiliates who at any time in the past three years have owned 15% or more of our outstanding voting stock. These provisions may have the effect of entrenching our management team and may deprive you of the opportunity to sell your shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a control premium could reduce the price of our common stock.

**We do not intend to declare dividends on our stock in the foreseeable future.**

We currently intend to retain all future earnings for the operation and expansion of our business and, therefore, do not anticipate declaring or paying cash dividends on our common stock in the foreseeable future. Investors may need to sell all or part of their holdings of our common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Any payment of future cash dividends on our common stock will be at the discretion of our board of directors and will depend upon our results of operations, earnings, capital requirements, financial condition, future prospects, contractual restrictions, and other factors deemed relevant by our board of directors. Therefore, you should not expect to receive dividend income from shares of our common stock.



## General

### **Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition.**

We are subject to income taxes in the U.S. and various foreign jurisdictions, and our domestic and international tax liabilities will be subject to the allocation of expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of tax valuation allowances;
- expiration of, or detrimental changes in, research and development tax credit laws;
- tax effects of stock-based compensation;
- costs related to intercompany restructurings;
- changes in tax laws, regulations, accounting principles or interpretations thereof; and
- future earnings being lower than anticipated in countries where we have lower statutory tax rates and higher than anticipated earnings in countries where we have higher statutory tax rates.

In addition, we are subject to audits of our income, sales, and other taxes by the Internal Revenue Service and other foreign and state tax authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition.

### **Our failure to maintain adequate internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 or to prevent or detect material misstatements in our annual or interim financial statements in the future could result in inaccurate financial reporting, or could otherwise harm our business and investor confidence in our financial reporting.**

Ensuring that we have internal financial and accounting controls and procedures adequate to produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated periodically. The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we are required to perform annual system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Furthermore, implementing any appropriate future changes to our internal control over financial reporting may entail substantial costs in order to modify our existing accounting systems, may take a significant period of time to complete and may distract our officers, directors, and employees from the operation of our business. If we are not able to comply with the requirements of Section 404 in the future, or if material weaknesses are identified, our business could be harmed and investor confidence in our financial reporting diminished.

## Item 1B. Unresolved Staff Comments

None.

## Item 2. Properties

Our corporate headquarters, including our principal administrative, marketing, sales, technical support, and research and development facilities, are located in Minneapolis, Minnesota. This location includes approximately 198,000 square feet of space and is under lease through 2027. We lease other smaller facilities across the U.S. and international locations. We believe that our current facilities are suitable and adequate to meet our current needs and that suitable additional or substitute space will be available as needed to accommodate expansion of our operations. For additional information regarding obligations under operating leases, see Note I of our consolidated financial statements, included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.



**Item 3. Legal Proceedings**

We are not currently subject to any material legal proceedings. 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 4. Mine Safety Disclosures**

Not applicable.



## PART II

**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities**

*Market Information* - Our common stock is and has been traded on the Nasdaq Global Market under the symbol “SPSC” since April 22, 2010, the date of our initial public offering.

*Stockholders of Record* - As of February 10, 2023, we had 68 stockholders of record of our common stock, excluding holders whose stock is held either in nominee name and/or street name brokerage accounts.

*Dividends* - We have not declared or paid cash dividends on our common stock. We currently intend to retain our future earnings, if any, to finance the operation and expansion of our business, and, therefore, we do not expect to pay cash dividends on our common stock in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, outstanding indebtedness and plans for expansion and restrictions imposed by lenders, if any.

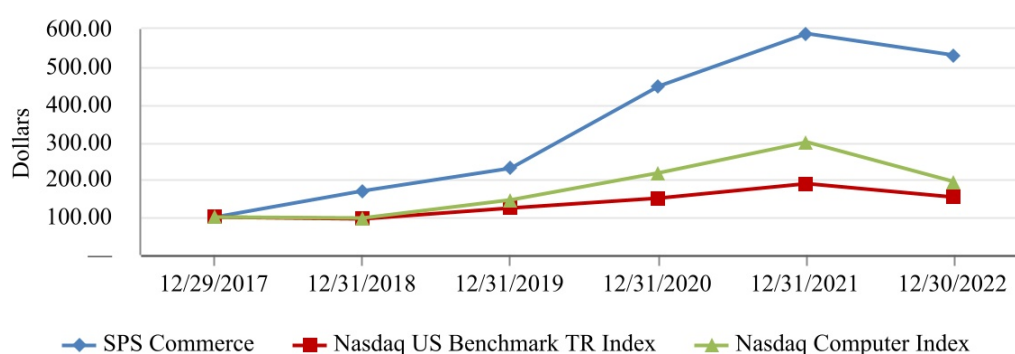
**Stock Performance Graph and Cumulative Total Return**

*Notwithstanding any statement to the contrary in any of our previous or future filings with the SEC, the following information relating to the price performance of our common stock shall not be deemed to be “filed” with the SEC or to be “soliciting material” under the Securities Exchange Act of 1934, as amended, (“Exchange Act”), and it shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended (“Securities Act”), or the Exchange Act, except to the extent we specifically incorporate it by reference into such filing.*

The table and graph below compare the cumulative total stockholder return of our common stock with that of the Nasdaq US Benchmark TR Index and the Nasdaq Computer Index from December 31, 2017 through December 31, 2022, utilizing the last trading day of each respective year. The return assumes that \$100 was invested in shares of our common stock and the other indexes at the close of market on December 29, 2017, the last trading day of 2017, and that dividends, if any, were reinvested. The comparisons in this table and graph are based on historical data and are not intended to forecast or be indicative of future performance of our common stock.

**Comparison of Cumulative Total Returns of SPS Commerce, Inc. to Comparable Indexes**

Date	SPS Commerce	Nasdaq US Benchmark TR Index	Nasdaq Computer Index
12/29/2017	\$ 100.00	\$ 100.00	\$ 100.00
12/31/2018	169.54	94.56	96.32
12/31/2019	228.11	124.03	144.80
12/31/2020	446.96	150.41	217.17
12/31/2021	585.92	189.36	299.39
12/30/2022	528.63	152.00	192.28

**Cumulative Total Return**

## Recent Sales of Unregistered Securities; Use of Proceeds from Sales of Registered Securities

Not applicable.

## Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The share repurchase activity for the quarter ended December 31, 2022 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program <sup>(1)</sup>	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program <sup>(1)</sup>
October 1 - 31, 2022	1,291	\$ 120.06	1,291	\$ 47,368,000
November 1 - 30, 2022	3,024	119.05	3,024	47,008,000
December 1 - 31, 2022	—	—	—	47,008,000
Total	4,315	\$ 119.35	4,315	\$ 47,008,000

For more information regarding our share repurchase programs, refer to Note J to our consolidated financial statements, included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

- (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. Under the program, purchases may be made from time to time in the open market or in privately negotiated purchases, or both. The new share repurchase program became effective August 26, 2022 and expires on July 26, 2024.

## Item 6. [Reserved]





## Item 7. 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 together with our audited consolidated financial statements and related notes which are included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. Our actual results could differ materially from those anticipated in the forward-looking statements included in this discussion as a result of certain factors, including, but not limited to, those discussed in Part I, Item 1A, "[Risk Factors](#)" of this Annual Report on Form 10-K.

### 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 Financial Measures

#### Sources of Revenues

**Fulfillment** - Our Fulfillment product is a full-service EDI solution that scales as a business grows. Companies can use a single system to manage orders and logistics from all sales channels, including wholesale, eCommerce, and marketplaces. Fulfillment is configurable for any trading partner, document or business system used for order management and offers a full suite of tools to help businesses efficiently manage their supply chain.

**Analytics** - Our Analytics product enables organizations to improve visibility into how products are selling through a single connection across all sales channels, including wholesale, eCommerce, and marketplaces. Analytics improves access and usage of sales and inventory data through a combination of our analytics applications, network of connections, and industry-leading expertise.

**Other Products** - We provide several complementary products, such as:

- **Assortment** - Our Assortment product simplifies the communication of robust, accurate item data by automatically translating item attributes, and hierarchies through a single connection across all sales channels.
- **Community** - Our Community product allows organizations to accelerate digitization of their supply chain and improve collaboration with suppliers through proven change management and onboarding programs.

#### Cost of Revenues and Operating Expenses

**Cost of Revenues** - Cost of revenues consist primarily of personnel costs for our customer success and implementation teams, customer support personnel, and application support personnel, as well as amortization related to internally developed software.

**Sales and Marketing Expenses** - Sales and marketing expenses consist primarily of personnel costs for our sales, marketing, product management teams, and commissions earned by our sales personnel and referral partners.

**Research and Development Expenses** - Research and development expenses consist primarily of personnel costs and stock-based compensation expense for development of new and maintenance of existing products, net of amounts capitalized as developed software.

**General and Administrative Expenses** - General and administrative expenses consist primarily of personnel costs and stock-based compensation expense for finance, human resources, and internal technology support, as well as professional services and other fees, such as bad debt expense and credit card processing fees.



*Overhead Allocation* - We allocate overhead expenses such as rent, certain employee benefit costs, and depreciation of general office assets to cost of revenues and operating expenses categories based on expense type using department headcount or salary.

*Amortization of Intangibles Assets* - Amortization expense consists of the expense recognition of acquired intangible assets over their estimated useful lives.

#### **Other Income (Expense), net**

Other income (expense) consists primarily of realized gain (loss) from foreign currency on cash and investments held and investment income.

#### **Income Tax Expense**

Income tax expense consists primarily of income taxes for U.S. federal jurisdiction in addition to income taxes for various state and international jurisdictions.

#### **Metrics and Non-GAAP Financial Measures**

*Recurring Revenue Customers* - As of December 31, 2022, we had 42,300 customers with ongoing contracts to pay us monthly fees, which we refer to as recurring revenue customers. A small portion of our recurring revenue customers consist of separate units within a larger organization. We treat each of these units, which may include divisions, departments, affiliates and franchises, as distinct customers.

*Wallet Share* - We calculate average recurring revenues per recurring revenue customer, which we also refer to as wallet share, by dividing the recurring revenues from recurring revenue customers for the period by the average of the beginning and ending number of recurring revenue customers for the period.

*Non-GAAP Financial Measures* - To supplement our 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 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.*”

#### **Critical Accounting Policies and Estimates**

The discussion of our financial condition and results of operations is based upon our consolidated financial statements, which are prepared in accordance with GAAP. The preparation of these 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.

### ***Revenue Recognition***

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. 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 over two years, which is the estimated period for which a material right is present for our customers.

### ***Internally Developed Software***

Internally developed software consists of capitalized costs incurred during the application development stage, which include costs related to the design of the chosen path, coding, installation of the hardware necessary to run the software, and any testing done before the operational stage. Costs incurred during the preliminary project stage and post-implementation stage are expensed as incurred. Additionally, maintenance of internally developed software are expensed as incurred. Internally developed software is amortized over the estimated useful life, three years, commencing on the date when the asset is ready for its intended use. Amortization is computed using the straight-line method.

### ***Business Combinations***

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values as of the acquisition date. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations may require us to make significant estimates and assumptions, especially with respect to intangible assets.

Significant estimates in valuing certain intangible assets may include, but are not limited to, future expected cash flows from acquired customers and developed technology from a market participant perspective, useful lives, and discount rates. Significant estimates in valuing liabilities for contingent consideration may include, but are not limited to, discount rates, projected financial results of the acquired businesses based on our most recent internal forecasts, and factors indicating the probability of achieving the forecasted results.

Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is not to exceed one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.



## Results of Operations

### Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

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

(\$ in thousands)	Year Ended December 31,					
	2022		2021		Change	
	\$	% of revenue <sup>(1)</sup>	\$	% of revenue <sup>(1)</sup>	\$	%
Revenues	\$ 450,875	100.0 %	\$ 385,276	100.0 %	\$ 65,599	17.0 %
Cost of revenues	153,065	33.9	131,678	34.2	21,387	16.2
Gross profit	<u>297,810</u>	66.1	<u>253,598</u>	65.8	<u>44,212</u>	17.4
Operating expenses						
Sales and marketing	101,772	22.6	88,044	22.9	13,728	15.6
Research and development	45,748	10.1	39,038	10.1	6,710	17.2
General and administrative	67,340	14.9	61,305	15.9	6,035	9.8
Amortization of intangible assets	11,768	2.6	10,126	2.6	1,642	16.2
Total operating expenses	<u>226,628</u>	50.3	<u>198,513</u>	51.5	<u>28,115</u>	14.2
Income from operations	71,182	15.8	55,085	14.3	16,097	29.2
Other income (expense), net	142	—	(1,544)	(0.4)	1,686	(109.2)
Income before income taxes	71,324	15.8	53,541	13.9	17,783	33.2
Income tax expense	16,190	3.6	8,944	2.3	7,246	81.0
Net income	<u>\$ 55,134</u>	12.2 %	<u>\$ 44,597</u>	11.6 %	<u>\$ 10,537</u>	23.6 %

(1) Amounts in column may not foot due to rounding

**Revenues** - Revenues increased for the 88th consecutive quarter. The increase in revenues 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 13% to 42,300 at December 31, 2022 from 37,500 at December 31, 2021 primarily due to sales and marketing efforts to acquire new customers and due to recent acquisitions.
- Wallet share increased 4% to \$10,500 at December 31, 2022 from \$10,050 at December 31, 2021. This was primarily attributable to increased usage of our products by our recurring revenue customers.

Recurring revenues increased 18% in 2022, as compared to 2021, and accounted for 93% and 92% of our total revenues in 2022 and 2021, respectively. 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 penetrations of our market.

**Cost of Revenues** - The increase in cost of revenues was primarily due to increased headcount which resulted in an increase of \$15.6 million in personnel-related costs and an increase of \$1.9 million in stock-based compensation.

**Sales and Marketing Expenses** - The increase in sales and marketing expense was primarily due to increased headcount which resulted in an increase of \$9.4 million in personnel-related costs and an increase of \$1.3 million in stock-based compensation. Additionally, there was an increase of \$1.2 million in sales commissions due to increased sales.

**Research and Development Expenses** - The increase in research and development expense was primarily due to increased headcount which resulted in increases of personnel costs of \$4.4 million and stock-based compensation of \$1.3 million.

**General and Administrative Expenses** - The increase in general and administrative expense was primarily due to increased headcount which resulted in an increase in personnel-related costs of \$1.9 million. There was also an increase of \$1.3 million in stock-based compensation. Additionally, as we continued to support growing operations, there was an increase in professional fees of \$1.6 million and an increase of \$1.3 million in software subscriptions, partially offset by a decrease of \$1.3 million in bad debt expense.



**Amortization of Intangible Assets** - The increase in amortization of intangible assets was driven by increased intangible assets related to recent business acquisitions.

**Other Income (Expense)** - The change was primarily due to increased investment income and favorable foreign currency exchange rate changes.

**Income Tax Expense** - The increase in income tax expense was driven by an increase in pre-tax income and a decrease in excess tax deductions due to the current period equity award settlements. This was partially offset by a decrease in nondeductible executive 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 or loss, and other adjustments as necessary for a fair presentation.

For the year ended December 31, 2021, other adjustments included disposals of cloud hosting arrangement implementation costs and accelerated tenant improvement benefit, which was incurred as part of executing a lease agreement. This tenant improvement adjustment was partially offset by accelerated depreciation, which is included within Depreciation and amortization of property and equipment and was also incurred as part of executing a lease agreement.

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

(in thousands)	Year Ended December 31,	
	2022	2021
Net income	\$ 55,134	\$ 44,597
Income tax expense	16,190	8,944
Depreciation and amortization of property and equipment	16,421	14,788
Amortization of intangible assets	11,768	10,126
Stock-based compensation expense	33,399	27,574
Realized loss from foreign currency on cash and investments held	1,026	1,456
Investment income	(1,670)	(278)
Other	—	(192)
Adjusted EBITDA	\$ 132,268	\$ 107,015

**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)	Year Ended December 31,	
	2022	2021
Revenue	\$ 450,875	\$ 385,276
Net income	55,134	44,597
Margin	12 %	12 %
Adjusted EBITDA	\$ 132,268	\$ 107,015
Adjusted EBITDA Margin	29 %	28 %

**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, 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.

For the year ended December 31, 2021, other adjustments included disposals of cloud hosting arrangement implementation costs and accelerated tenant improvement benefit, which was incurred as part of executing a lease



agreement. This tenant improvement adjustment was partially offset by accelerated depreciation, which is included within Depreciation and amortization of property and equipment and was also incurred as part of executing a lease agreement.

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 to non-GAAP income per share:

(in thousands, except per share amounts)	Year Ended December 31,	
	2022	2021
Net income	\$ 55,134	\$ 44,597
Stock-based compensation expense	33,399	27,574
Amortization of intangible assets	11,768	10,126
Realized loss from foreign currency on cash and investments held	1,026	1,456
Other	—	(192)
Income tax effects of adjustments	(14,639)	(16,454)
Non-GAAP income	\$ 86,688	\$ 67,107
Shares used to compute non-GAAP income per share		
Basic	36,117	35,928
Diluted	36,953	36,962
Non-GAAP income per share		
Basic	\$ 2.40	\$ 1.87
Diluted	\$ 2.35	\$ 1.82

#### **Year Ended December 31, 2021 Compared to Year Ended December 31, 2020**

The discussion of our results from operations for the year ended December 31, 2021 compared to the year ended December 31, 2020 can be found in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

#### **Liquidity and Capital Resources**

At December 31, 2022, our principal sources of liquidity were cash and cash equivalents and short-term investments totaling \$214.3 million, and net accounts receivable of \$39.4 million. Our investments are selected in accordance with our investment policy, with a goal of maintaining liquidity and capital preservation. Our cash equivalents and short-term investments are held in highly liquid instruments, primarily money market funds, certificates of deposits, and commercial paper.

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

(in thousands)	Twelve Months Ended December 31,	
	2022	2021
Net cash provided by operating activities	\$ 100,052	\$ 112,893
Net cash used in investing activities	(112,790)	(46,703)
Net cash used in financing activities	(31,631)	(8,361)

#### **Net Cash Flows from Operating Activities**

The decrease in cash provided by operating activities was primarily driven by changes in the amount and timing of settlement of operating assets and liabilities, primarily the change in accrued compensation.



**Net Cash Flows from Investing Activities**

The increase in net cash used in investing activities was primarily due to increased business acquisition activity.

**Net Cash Flows from Financing Activities**

The increase in net cash used in financing activities was primarily due to the increased repurchases of common stock.

The discussion of our liquidity and capital resources for the year ended December 31, 2021 compared to the year ended December 31, 2020 can be found in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

**Contractual and Commercial Commitment Summary**

Our contractual obligations and commercial commitments as of December 31, 2022 are summarized below:

(in thousands)	Payments Due by Period				Total
	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	
Operating lease obligations, including imputed interest	\$ 4,889	\$ 8,854	\$ 5,029	\$ —	\$ 18,772
Purchase commitments	3,126	1,789	—	—	4,915
Total	\$ 8,015	\$ 10,643	\$ 5,029	\$ —	\$ 23,687

**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 II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of this Annual Report on Form 10-K.

During the last three years, inflation and changing prices have not had a material effect on our business and we do not expect that inflation or changing prices will materially affect our business in the foreseeable future.



## Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to Note A, General, in our Notes to Consolidated Financial Statements in the sections entitled “Recently Adopted Accounting Pronouncements” and “Accounting Pronouncements Not Yet Adopted” as applicable, included in Part II, Item 8, “Financial Instruments and Supplementary Data” of this Annual Report on Form 10-K.

## Item 7A. 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 December 31, 2022. 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 and Canadian dollars. 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 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 December 31, 2022, we maintained 11% 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, result in a material foreign currency loss or have a material impact on our consolidated financials.

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 8. Financial Statements and Supplementary Data**

**SPS Commerce, Inc. and Subsidiaries Consolidated Financial Statements**

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## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
SPS Commerce, Inc.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of SPS Commerce, Inc. and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 21, 2023 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

### *Assessment of the capitalized internal costs for internally developed software*

As discussed in Note A to the consolidated financial statements, the Company capitalizes costs incurred for internally developed software during the application development stage. Capitalized internally developed software is recorded within property and equipment and depreciated over the estimated useful life.

We identified the assessment of the capitalized internal costs for internally developed software as a critical audit matter. Subjective auditor judgment was required to assess the stage of software development for new internally developed software or upgrades and enhancements for existing internally developed software, which determines when costs should be capitalized.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's internally developed software process. This included controls related to the evaluation and approval of new internally developed software projects or upgrades and enhancements to existing internally developed software projects, monitoring of the software development stage, and capitalization of internal costs. We examined a sample of capitalized internally developed software costs to evaluate costs that were capitalized for new internally developed software or upgrades and enhancements for existing internally developed software. For each sample, we evaluated the capitalized costs and assessed the stage of software development by inspecting underlying documentation and inquiring of the Company's technology developers performing



the internally developed software activities regarding the specific nature, stage of completion, and hours incurred on the project.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

Minneapolis, Minnesota  
February 21, 2023



SPS COMMERCE, INC.

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## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
SPS Commerce, Inc.:

### *Opinion on Internal Control Over Financial Reporting*

We have audited SPS Commerce, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 and 2021, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements), and our report dated February 21, 2023 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired GCommerce, Inc. and InterTrade Systems Inc. during 2022, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2022, GCommerce, Inc. and InterTrade Systems Inc.'s internal control over financial reporting associated with total assets of 3.7% and total revenues of 1.4% included in the consolidated financial statements of the Company as of and for the year ended December 31, 2022. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of GCommerce, Inc. and InterTrade Systems Inc.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Minneapolis, Minnesota  
February 21, 2023



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Form 10-K for the Annual Period ended December 31, 2022

**SPS COMMERCE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(in thousands, except shares)	December 31,	
	2022	2021
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 162,893	\$ 207,552
Short-term investments	51,412	49,758
Accounts receivable	42,501	38,811
Allowance for credit losses	(3,066)	(4,249)
Accounts receivable, net	39,435	34,562
Deferred costs	52,755	44,529
Other assets	16,319	16,042
Total current assets	322,814	352,443
Property and equipment, net	35,458	31,901
Operating lease right-of-use assets	9,170	10,851
Goodwill	197,284	143,663
Intangible assets, net	88,352	58,587
Other assets		
Deferred costs, non-current	17,424	15,191
Deferred income tax assets	227	182
Other assets, non-current	2,185	3,028
Total assets	\$ 672,914	\$ 615,846
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 11,256	\$ 8,330
Accrued compensation	30,235	31,661
Accrued expenses	7,451	8,345
Deferred revenue	57,423	50,428
Operating lease liabilities	4,277	4,108
Total current liabilities	110,642	102,872
Other liabilities		
Deferred revenue, non-current	4,771	5,144
Operating lease liabilities, non-current	13,009	16,426
Deferred income tax liabilities	7,419	7,145
Total liabilities	135,841	131,587
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; 38,309,144 and 37,798,610 shares issued; and 36,158,046 and 36,009,257 shares outstanding, respectively	38	38
Treasury Stock, at cost; 2,151,098 and 1,789,353 shares, respectively	(128,892)	(85,677)
Additional paid-in capital	476,117	433,258
Retained earnings	193,221	138,087
Accumulated other comprehensive loss	(3,411)	(1,447)
Total stockholders' equity	537,073	484,259
Total liabilities and stockholders' equity	\$ 672,914	\$ 615,846

See accompanying notes to these consolidated financial statements.



**SPS COMMERCE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands, except per share amounts)	Year Ended December 31,		
	2022	2021	2020
Revenues	\$ 450,875	\$ 385,276	\$ 312,630
Cost of revenues	153,065	131,678	99,836
Gross profit	297,810	253,598	212,794
Operating expenses			
Sales and marketing	101,772	88,044	75,955
Research and development	45,748	39,038	31,024
General and administrative	67,340	61,305	50,119
Amortization of intangible assets	11,768	10,126	5,538
Total operating expenses	226,628	198,513	162,636
Income from operations	71,182	55,085	50,158
Other income (expense), net	142	(1,544)	2,522
Income before income taxes	71,324	53,541	52,680
Income tax expense	16,190	8,944	7,094
Net income	\$ 55,134	\$ 44,597	\$ 45,586
Other comprehensive income (expense)			
Foreign currency translation adjustments	(2,240)	(514)	1,097
Unrealized gain (loss) on investments, net of tax of \$147, (\$34), and (\$3) respectively	441	(102)	(10)
Reclassification of (gain) loss on investments into earnings, net of tax of (\$55), \$63, and (\$52), respectively	(165)	190	(157)
Total other comprehensive income (expense)	(1,964)	(426)	930
Comprehensive income	\$ 53,170	\$ 44,171	\$ 46,516
Net income per share			
Basic	\$ 1.53	\$ 1.24	\$ 1.29
Diluted	\$ 1.49	\$ 1.21	\$ 1.26
Weighted average common shares used to compute net income per share			
Basic	36,117	35,928	35,226
Diluted	36,953	36,962	36,285

See accompanying notes to these consolidated financial statements.

**SPS COMMERCE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(in thousands, except shares)	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balances, December 31, 2019	34,863,271	\$ 36	1,241,348	\$ (46,297)	\$ 354,115	\$ 48,973	\$ (1,951)	\$ 354,876
Stock-based compensation	—	—	—	—	17,382	—	—	17,382
Shares issued pursuant to stock awards	934,015	1	—	—	18,591	—	—	18,592
Employee stock purchase plan activity	61,833	—	—	—	3,374	—	—	3,374
Repurchases of common stock	(371,902)	—	371,902	(18,950)	—	—	—	(18,950)
Net income	—	—	—	—	—	45,586	—	45,586
Foreign currency translation adjustments	—	—	—	—	—	—	1,097	1,097
Unrealized loss on investments, net of tax	—	—	—	—	—	—	(10)	(10)
Reclassification of gain on investments into earnings, net of tax	—	—	—	—	—	—	(157)	(157)
Adoption of ASU 2016-13	—	—	—	—	—	(1,069)	—	(1,069)
Balances, December 31, 2020	35,487,217	\$ 37	1,613,250	\$ (65,247)	\$ 393,462	\$ 93,490	\$ (1,021)	\$ 420,721
Stock-based compensation	—	—	—	—	25,686	—	—	25,686
Shares issued pursuant to stock awards	642,417	1	—	—	9,373	—	—	9,374
Employee stock purchase plan activity	55,726	—	—	—	4,737	—	—	4,737
Repurchases of common stock	(176,103)	—	176,103	(20,430)	—	—	—	(20,430)
Net income	—	—	—	—	—	44,597	—	44,597
Foreign currency translation adjustments	—	—	—	—	—	—	(514)	(514)
Unrealized loss on investments, net of tax	—	—	—	—	—	—	(102)	(102)
Reclassification of loss on investments into earnings, net of tax	—	—	—	—	—	—	190	190
Balances, December 31, 2021	36,009,257	\$ 38	1,789,353	\$ (85,677)	\$ 433,258	\$ 138,087	\$ (1,447)	\$ 484,259
Stock-based compensation	—	—	—	—	31,275	—	—	31,275
Shares issued pursuant to stock awards	440,427	—	—	—	4,908	—	—	4,908
Employee stock purchase plan activity	70,107	—	—	—	6,676	—	—	6,676
Repurchases of common stock	(361,745)	—	361,745	(43,215)	—	—	—	(43,215)
Net income	—	—	—	—	—	55,134	—	55,134
Foreign currency translation adjustments	—	—	—	—	—	—	(2,240)	(2,240)
Unrealized gain on investments, net of tax	—	—	—	—	—	—	441	441
Reclassification of gain on investments into earnings, net of tax	—	—	—	—	—	—	(165)	(165)
Balances, December 31, 2022	36,158,046	\$ 38	2,151,098	\$ (128,892)	\$ 476,117	\$ 193,221	\$ (3,411)	\$ 537,073

See accompanying notes to these consolidated financial statements.

**SPS COMMERCE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)	Year Ended December 31,		
	2022	2021	2020
<b>Cash flows from operating activities</b>			
Net income	\$ 55,134	\$ 44,597	\$ 45,586
Reconciliation of net income to net cash provided by operating activities			
Deferred income taxes	(3,732)	3,881	4,241
Change in earn-out liability	—	—	(85)
Depreciation and amortization of property and equipment	16,421	14,788	13,127
Amortization of intangible assets	11,768	10,126	5,538
Provision for credit losses	3,359	4,717	5,660
Stock-based compensation	33,399	27,574	18,936
Other, net	220	323	(24)
Changes in assets and liabilities, net of effects of acquisitions			
Accounts receivable	(6,435)	(4,959)	(5,922)
Deferred costs	(10,646)	(9,299)	(3,414)
Other current and non-current assets	2,632	(6,181)	1,201
Accounts payable	144	2,259	1,214
Accrued compensation	(3,786)	6,775	(1,257)
Accrued expenses	(2,829)	1,017	563
Deferred revenue	5,965	14,483	4,432
Operating leases	(1,562)	2,792	(1,234)
Net cash provided by operating activities	100,052	112,893	88,562
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	(19,880)	(19,588)	(16,467)
Purchases of investments	(160,427)	(121,242)	(74,797)
Maturities of investments	158,937	111,193	69,461
Acquisitions of businesses, net	(91,420)	(17,066)	(98,666)
Net cash used in investing activities	(112,790)	(46,703)	(120,469)
<b>Cash flows from financing activities</b>			
Repurchases of common stock	(43,215)	(20,430)	(18,950)
Net proceeds from exercise of options to purchase common stock	4,908	9,374	18,592
Net proceeds from employee stock purchase plan activity	6,676	4,737	3,374
Payment for contingent consideration	—	(2,042)	(688)
Net cash provided by (used in) financing activities	(31,631)	(8,361)	2,328
Effect of foreign currency exchange rate changes on cash and cash equivalents	(290)	31	19
Net increase (decrease) in cash and cash equivalents	(44,659)	57,860	(29,560)
Cash and cash equivalents at beginning of year	207,552	149,692	179,252
Cash and cash equivalents at end of year	\$ 162,893	\$ 207,552	\$ 149,692
<b>Supplemental disclosure of cash flow information</b>			
Cash paid for income taxes	\$ 16,076	\$ 9,979	\$ 1,656
Non-cash financing activities:			
Contingent consideration related to acquisition	2,000	—	—
Net purchases of property and equipment on account	(215)	(683)	(551)

See accompanying notes to these consolidated financial statements.





## SPS COMMERCE, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 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 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 consolidated financial statements.

#### ***Foreign Currency Translation***

The functional currency of our foreign operations is generally the applicable local currency. The functional currency is translated into U.S. dollars for balance sheet accounts using current exchange rates in effect as of the balance sheet date and for revenue and expense accounts using an average exchange rate during the year. The translation adjustments are deferred as a component of other comprehensive income within the consolidated statements of comprehensive income and the consolidated statements of stockholders' equity. Gains or losses resulting from transactions denominated in foreign currencies are included in other income (expense), net in our consolidated statements of comprehensive income.

#### ***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.

#### ***Business Combinations***

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values as of the acquisition date. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill.

Assets acquired include tangible and intangible assets. We use estimates and assumptions that we believe are reasonable as a part of the purchase price allocation, which includes the process to determine the value and useful lives of purchased intangible assets and the process to determine the value of any contingent consideration liabilities. We record the acquisition-date fair value of any contingent liabilities, such as earn-out provisions, as part of the consideration transferred, if present. The unsettled earn-out liability, if any, is subsequently remeasured at each reporting date at fair value.

While we believe these estimates and assumptions are reasonable, they are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair value of the assets acquired and the liabilities assumed. Any such adjustments would be recorded as an offset to goodwill or a working capital purchase price adjustment as applicable. Upon the conclusion of the measurement period or final determination of the fair values, whichever comes first, any subsequent adjustments would be recorded in our consolidated statements of comprehensive income.



### **Segment Information**

Our Chief Executive Officer acts as the Company's chief operating decision maker and reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. There are no segment managers who are held accountable by the chief operating decision maker, or anyone else, for operations, operating results and planning for levels or components below the consolidated unit level. Accordingly, we determined we have one operating and reportable segment, which is supply chain management products.

### **Concentration of Credit Risk**

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and cash equivalents in financial institutions in excess of federally insured limits and accounts receivable. Cash and cash equivalents are held with financial institutions that we believe are subject to minimal risk.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and highly liquid investments with original maturities of less than 90 days.

### **Investments**

From time to time, we invest in money market funds, certificates of deposit, and marketable securities such as commercial paper, highly liquid debt instruments of the U.S. government, and U.S. corporate debt securities. Investments with remaining maturities of less than one year from the balance sheet date are classified as short-term investments whereas those with remaining maturities of more than one year from the balance sheet date are classified as investments, non-current.

Securities classified as available for sale are carried at fair value and the unrealized gains and losses on these investments, net of taxes, are included in accumulated other comprehensive loss in the consolidated balance sheets. Realized gains or losses are included in other income (expense), net in the consolidated statements of comprehensive income. Certain securities accrue interest that is included in other income (expense), net. When a determination has been made that the fair value of a marketable security is below its amortized cost basis, the portion of the unrealized loss that corresponds to a credit-related factor is realized through a credit allowance on the marketable security and the equivalent expense is realized in other income (expense), net in the consolidated statements of comprehensive income.

### **Fair Value Measurements**

The carrying amounts of our short-term financial instruments, which include cash, cash equivalents, accounts receivable, and accounts payable, approximates fair value due to their short-term nature.

#### **Recurring Fair Value Measurements**

We measure certain financial assets at fair value on a recurring basis based on a fair value hierarchy that requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs that are used to measure fair value are:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – observable inputs other than Level 1 prices, such as (a) quoted prices for similar assets or liabilities, (b) quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or (c) model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

#### **Nonrecurring Fair Value Measurements**

We measure certain assets and liabilities at fair value on a nonrecurring basis, including long-lived assets, goodwill, and indefinite-lived intangible assets.



**Accounts Receivable**

Accounts receivable are initially recorded upon the sale and invoicing of products to customers. Credit is granted in the normal course of business without collateral. Accounts receivable are stated net of allowances for credit losses, which represent estimated losses resulting from customers not making required payments on accounts receivables. When determining the allowance, we pool our outstanding accounts receivable invoices based on the contractual due date of payment. We take several factors into consideration for estimated credit losses by pool, primarily our historical credit losses, with additional adjustments made for current and future macro-economic conditions and retail bankruptcy trends. We write-off accounts receivable when they are determined to be uncollectible. Changes in the allowance are recorded as bad debt expense and are included in general and administrative expense in our consolidated statements of comprehensive income.

**Property and Equipment**

Property and equipment, including assets acquired under lease obligations, are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is calculated using the straight-line method over the estimated useful lives when placed in service.

We capitalize and amortize eligible costs to acquire or generate internally developed software that are incurred during the application development stage. Costs incurred during the preliminary project stage and post-implementation stage are expensed as incurred. Amortization expense for internally developed software is calculated using the straight-line method over the estimated useful life, commencing on the date when the asset is ready for its intended use.

The estimated useful lives of property and equipment were as follows:

	Estimated Useful Life
Internally developed software	3 years
Computer equipment	2-3 years
Office equipment and furniture	5-7 years
Leasehold improvements	Shorter of the useful life of the asset or the remaining term of the lease

Significant additions or improvements extending asset lives beyond one year are capitalized, while repairs and maintenance are charged to expense as incurred. The assets and related accumulated depreciation and amortization are adjusted for asset retirements and disposals with the resulting gain or loss included in our consolidated statements of comprehensive income.

Maintenance of internally developed software are expensed as incurred. The assets and related accumulated amortization are adjusted for abandoned internally developed software with the resulting loss included in our consolidated statements of comprehensive income.

**Leases**

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets, current operating lease liabilities, and non-current operating lease liabilities in our consolidated balance sheets.

Right-of-use (“ROU”) assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. We use the implicit interest rate when readily determinable. We estimate the discount rate for a similar collateralized asset by estimating costs of borrowing. The operating lease ROU asset also includes any lease payments made and lease incentives that have been incurred. The options to extend our leases are not recognized as part of our ROU assets and lease liabilities unless it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. For all leases, we combine non-lease components with the related lease components and account for it as a single lease component. The ROU assets are subject to the same impairment process as our long-lived assets. Additionally, we review our lease liabilities for remeasurement whenever there is a triggering event or when relevant facts and circumstances change.

**Research and Development**

Research and development costs primarily include development, maintenance, and data conversion activities related to our cloud-based supply chain management products and are expensed as incurred. Research and development costs are net of amounts capitalized as developed software.

**Goodwill**

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill is attributed to a trained workforce and other buyer-specific value resulting from expected synergies, including long-term cost savings, which are not included in the fair values of identifiable assets.

We test goodwill for impairment annually at November 30, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is conducted by comparing the fair value of the net assets with the carrying amount of the reporting unit. We determine the fair value of the reporting unit based on our market capitalization at the testing date. If the carrying amount exceeds the fair value of the reporting unit, we would recognize an impairment loss in the consolidated statements of comprehensive income, to the extent that the carrying amount exceeds fair value.

**Intangible Assets**

Assets acquired in business combinations may include identifiable intangible assets such as subscriber relationships and developed technology. We recognize the fair value of the identifiable intangible assets acquired separately from goodwill. We have determined the fair value and useful lives of our purchased intangible assets using certain estimates and assumptions that we believe are reasonable.

The purchased intangible assets are being amortized on a straight-line basis over their estimated useful lives.

The estimated useful lives for intangible were as follows:

	Estimated Useful Life
Subscriber relationships	7-10 years
Developed technology	3-10 years

**Impairment of Long-Lived Assets**

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount of an asset group exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets at the date it is tested for recoverability, whether in use or under development. An impairment loss is measured and recorded as an expense in the consolidated statements of comprehensive income as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

**Revenue Recognition**

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.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

See Note C for further descriptions of our revenue recognition policy.



### **Deferred Costs**

Deferred costs are those that are incurred to fulfill or obtain customer contracts and that are considered incremental and recoverable costs. These consist primarily of customer implementation costs, commissions paid to sales personnel and referral partners, respectively. These costs are deferred and amortized over the expected period of benefit which we have determined to be two years.

Customer implementation costs are based on actual costs incurred. Related amortization expense is included in cost of revenues in the consolidated statements of comprehensive income.

Sales commissions are calculated based on estimated annual recurring revenue to be generated over the customer's initial contract period. Related amortization expense is included in sales and marketing expenses in the consolidated statements of comprehensive income.

### **Stock-Based Compensation**

Stock-based compensation includes grants of incentive and nonqualified stock options, performance share units ("PSUs"), restricted stock awards ("RSAs"), restricted stock units ("RSUs"), deferred stock units ("DSUs"), employee stock purchase plan ("ESPP") activity, and 401(k) stock match and is used to compensate employees, executive officers, and non-employee directors.

We recognize the cost of all stock-based payments based on the grant date fair value of those awards. This cost is recognized over the period for which an employee is required to provide service in exchange for the award or the award performance period, except for expenses relating to retirement-eligible employees that have not given their required notice, which is recognized on a pro-rata basis over the notice period prior to retirement. For all awards, we recognize forfeitures as they occur.

RSAs result in the issuance of new shares when granted. For other stock-based awards, new shares are issued when the award is exercised, vested, or released according to the terms of the agreement.

Our ESPP allows participating employees to purchase shares of our common stock at a discount through payroll deductions. The plan is available to all employees subject to certain eligibility requirements. Participating employees may purchase common stock, on a voluntary after-tax basis, at a price that is the lower of 85% of the fair market value of our common stock at the beginning or end of each stock purchase period. The plan is a Type B plan, so the number of shares a participant can acquire is variable. Participants purchase more shares as the stock price decreases, up to the total amount originally elected to withhold at the beginning of the offering period. The plan consists of two six-month offering periods, beginning on January 1 and July 1 of each calendar year.

The fair value of stock options and ESPP activity is estimated using the Black-Scholes option valuation model. The fair value for RSAs, RSUs, and DSUs is the closing market value of the underlying stock on the date of grant less the purchase price (if any). The fair value of PSUs is estimated using a Monte Carlo simulation.

Judgment is required in determining the expected volatility of common stock and the expected term individuals will hold their share-based awards prior to exercising. The expected volatility of the options is based on the historical volatility of our common stock. The expected term of the options is derived from historical data on option holder exercises and post-vesting employment termination behavior.

Additional valuation inputs include our expected non-issuance of future common stock dividends and the risk-free interest rate that is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equaling the expected life at the grant date. For PSUs, the Monte Carlo simulation utilizes multiple input variables that determine the probability of satisfying the performance conditions stipulated in the award.

### **Income Taxes**

We account for income taxes using the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in our judgment, it is more likely than not that some or all of the deferred tax asset will not be realized. Deferred tax positions are net by jurisdiction on the consolidated balance sheet.



We assess our ability to realize our deferred tax assets at the end of each reporting period. Realization of our deferred tax assets is contingent upon future taxable earnings. Accordingly, this assessment requires estimates and judgment. If the estimates of future taxable income vary from actual results, our assessment regarding the realization of these deferred tax assets could change. Future changes in the estimated amount of deferred taxes expected to be realized will be reflected in our consolidated financial statements in the period the estimate is changed, with a corresponding adjustment to our operating results.

We recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would “more likely than not” sustain the position following an audit. For tax positions meeting the “more likely than not” threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

It is our practice to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

### **Net Income Per Share**

Basic net income per share has been computed using the weighted average number of shares of common stock outstanding during each period. Diluted net income per share also includes the impact of our outstanding potential common shares, including options, RSAs, RSUs, PSUs, and DSUs. Potential common shares that are anti-dilutive are excluded from the calculation of diluted net income per share.

### **Accounting Pronouncements Not Yet Adopted**

Standard	Date of Issuance	Description	Date of Required Adoption	Effect on the Financial Statements
ASU 2021-08, Business Combinations (Topic 805) - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	October 2021	This amendment requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, effective for all business combinations in the year of adoption and thereafter.	January 2023	The adoption of this standard may have a material impact on the purchase accounting for business combinations depending on the specific amount of contract assets and liabilities being acquired.

### **NOTE B – Business Acquisitions**

#### **GCommerce**

Effective July 19, 2022, we acquired all of the outstanding equity ownership interests of GCommerce, Inc. (“GCommerce”), a leading EDI provider within the automotive aftermarket industry. Pursuant to the definitive agreement, the purchase price was \$45.1 million, including post-closing adjustments. The purchase accounting for the acquisition has not been finalized as of December 31, 2022 due to various items including valuation modeling completion; provisional amounts are primarily related to intangible assets and tax components. We expect to finalize the allocation of the purchase price within the one-year measurement period following the acquisition.

#### **InterTrade**

Effective October 4, 2022, we acquired all of the outstanding equity ownership interests of Canadian based InterTrade Systems Inc. (“InterTrade”), a leading EDI provider within the apparel and general merchandising markets. Pursuant to the definitive agreement, the purchase price was \$49.1 million, including estimated post-closing adjustments. The purchase accounting for the acquisition has not been finalized as of December 31, 2022 due to various items including valuation modeling completion; provisional amounts are primarily related to intangible assets, net working capital, and tax components. We expect to finalize the allocation of the purchase price within the one-year measurement period following the acquisition.

The definitive agreement included the potential for the seller to receive up to \$2.0 million in cash, contingent upon the completion of a technological infrastructure migration project within a specified time period. Given the status of the project, at the date of acquisition as well as at December 31, 2022, we expected to pay the full contingent consideration



balance in 2023. As such, \$2.0 million was included in accrued expenses in the consolidated balance sheet at December 31, 2022.

### Purchase Price Allocations

We accounted for the acquisitions as business combinations. We allocated each 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 summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition dates:

(in thousands)	2022 Acquisition Activity			
	GCommerce			InterTrade
	Acquisition Date Estimated Fair Value as of September 30, 2022	Adjustments	Acquisition Date Estimated Fair Value as of December 31, 2022	Acquisition Date Estimated Fair Value as of December 31, 2022
Cash paid at transaction date	\$ 45,153	\$ —	\$ 45,153	\$ 47,165
Contingent consideration	—	—	—	2,000
Post-closing adjustments	(64)	—	(64)	(93)
Total consideration	\$ 45,089	\$ —	\$ 45,089	\$ 49,072
Estimated fair value of assets and liabilities acquired:				
Cash	\$ 230	\$ —	\$ 230	\$ 668
Accounts receivable	467	—	467	1,302
Other current assets	288	—	288	1,903
Operating lease right-of-use asset	934	—	934	—
Intangible assets				
Subscriber relationships	18,225	(925)	17,300	17,640
Developed technology	2,025	275	2,300	4,410
Deferred income tax assets	5,291	1,440	6,731	101
Accounts payable	(266)	—	(266)	(2,337)
Accrued compensation	(321)	—	(321)	—
Deferred revenue	(262)	—	(262)	(397)
Operating lease liability	(934)	—	(934)	—
Deferred income tax liabilities	(5,144)	537	(4,607)	(6,228)
Total fair value of assets and liabilities acquired	\$ 20,533	\$ 1,327	\$ 21,860	\$ 17,062
Goodwill	\$ 24,556	\$ (1,327)	\$ 23,229	\$ 32,010

The following table summarizes the estimated useful lives for each acquired intangible asset, each of which are subject to finalization:

	Estimated Useful Life	
	GCommerce	InterTrade
Subscriber relationships	8.0 years	8.0 years
Developed technology	5.0 years	6.0 years



**NOTE C – Revenue**

We derive our revenues from the following revenue streams:

(in thousands)	Year Ended December 31,		
	2022	2021	2020
Recurring revenues:			
Fulfillment	\$ 364,148	\$ 306,851	\$ 251,272
Analytics	46,894	42,674	38,824
Other	8,005	5,481	4,920
Recurring Revenues	419,047	355,006	295,016
One-time revenues	31,828	30,270	17,614
Total revenue	\$ 450,875	\$ 385,276	\$ 312,630

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.

**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 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 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:

(in thousands)	Year Ended December 31,	
	2022	2021
Balance, beginning of year	\$ 14,459	\$ 11,118
Invoiced set-up fees	15,457	15,931
Recognized set-up fees	(14,917)	(12,590)
Balance, end of year	\$ 14,999	\$ 14,459

The entire balance of deferred set-up fees will be recognized within two years. Those that will be recognized within the next year are classified as current, whereas the remainder are classified as non-current.





### Miscellaneous fees

Miscellaneous fees primarily 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.

### Deferred Revenue

In the year ended December 31, 2022, we recognized revenue of \$50.4 million from amounts included in deferred revenue at December 31, 2021.

### NOTE D – Deferred Costs

The deferred costs activity was as follows:

(in thousands)	Year Ended December 31,	
	2022	2021
Balance, beginning of year	\$ 59,720	\$ 50,595
Incurred deferred costs	72,509	64,076
Amortized deferred costs	(62,050)	(54,951)
Balance, end of year	\$ 70,179	\$ 59,720

### NOTE E – Fair Value Measurements

#### Cash Equivalents and Investments

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

(in thousands)	Fair Value Level	December 31, 2022		December 31, 2021			
		Amortized Cost	Unrealized Gains (Losses), net	Fair Value	Amortized Cost	Unrealized Gains (Losses), net	Fair Value
<b>Cash equivalents:</b>							
Money market funds	Level 1	\$ 73,368	\$ —	\$ 73,368	\$ 138,205	\$ —	\$ 138,205
<b>Investments:</b>							
Certificates of deposit	Level 1	6,813	—	6,813	7,268	—	7,268
<b>Marketable securities:</b>							
Commercial paper	Level 2	44,224	375	44,599	34,984	7	34,991
U.S. treasury securities	Level 2	—	—	—	7,500	(1)	7,499
		\$ 124,405	\$ 375	\$ 124,780	\$ 187,957	\$ 6	\$ 187,963



## NOTE F – Allowance for Credit Losses

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

(in thousands)	Year Ended December 31,		
	2022	2021	2020
Balance, beginning of year	\$ 4,249	\$ 4,233	\$ 1,469
Provision for credit losses	3,359	4,717	5,660
Write-offs, net of recoveries	(4,542)	(4,790)	(4,319)
Initial allowance for business combination acquired receivables	—	89	354
Adoption of ASU 2016-13	—	—	1,069
Balance, end of year	\$ 3,066	\$ 4,249	\$ 4,233

## NOTE G – Property and Equipment, net

Property and equipment, net consisted of the following:

(in thousands)	December 31,	
	2022	2021
Internally developed software	\$ 49,994	\$ 44,981
Computer equipment	30,310	29,329
Leasehold improvements	16,531	16,685
Office equipment and furniture	10,981	10,972
Property and equipment, cost	107,816	101,967
Less: accumulated depreciation and amortization	(72,358)	(70,066)
Total property and equipment, net	\$ 35,458	\$ 31,901

Depreciation and amortization expense of property and equipment was as follows:

(in thousands)	Year Ended December 31,		
	2022	2021	2020
Depreciation and amortization expense	\$ 16,421	\$ 14,788	\$ 13,127

## NOTE H – Goodwill and Intangible Assets, net

### Goodwill

The activity in goodwill was as follows:

(in thousands)	Year Ended December 31,	
	2022	2021
Balance, beginning of year	\$ 143,663	\$ 134,853
Additions from business acquisitions	56,566	8,914
Foreign currency translation	(1,618)	(372)
Remeasurement from provisional purchase accounting amount	(1,327)	268
Balance, end of year	\$ 197,284	\$ 143,663



## Intangible Assets

Intangible assets, net consisted of the following:

December 31, 2022					
(\$ in thousands)	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation	Net	Weighted Average Remaining Amortization Period
Subscriber relationships	\$ 80,101	\$ (22,255)	\$ (171)	\$ 57,675	6.8 years
Developed technology	40,610	(9,934)	1	30,677	5.4 years
	<u>\$ 120,711</u>	<u>\$ (32,189)</u>	<u>\$ (170)</u>	<u>\$ 88,352</u>	<u>6.4 years</u>

December 31, 2021					
(\$ in thousands)	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation	Net	Weighted Average Remaining Amortization Period
Subscriber relationships	\$ 61,270	\$ (29,866)	\$ (1,395)	\$ 30,009	6.4 years
Developed technology	35,316	(6,738)	—	28,578	6.8 years
	<u>\$ 96,586</u>	<u>\$ (36,604)</u>	<u>\$ (1,395)</u>	<u>\$ 58,587</u>	<u>6.6 years</u>

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

(in thousands)	
2023	\$ 15,289
2024	14,098
2025	13,960
2026	12,956
2027	12,493
Thereafter	19,556
Total future amortization	<u>\$ 88,352</u>

## NOTE I – Commitments and Contingencies

### Leases

We are engaged in a lease agreement for our current headquarters located in Minneapolis, Minnesota where we lease approximately 198,000 square feet under an agreement that expires in 2027. The lease also has two options to extend the term for five years each at a market rate determined in accordance with the lease. We lease other smaller facilities across the U.S. and international locations.

The components of lease expense were as follows:

(in thousands)	Year Ended December 31,		
	2022	2021	2020
Operating lease cost	\$ 3,087	\$ 3,089	\$ 2,719
Variable lease cost	3,576	3,660	3,578
	<u>\$ 6,663</u>	<u>\$ 6,749</u>	<u>\$ 6,297</u>



Supplemental cash flow information related to leases was as follows:

(in thousands)	December 31,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 4,639	\$ 3,757
Right-of-use assets obtained in exchange for operating lease liabilities	934	992

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

	December 31, 2022	December 31, 2021
Weighted-average remaining lease term	3.9 years	4.8 years
Weighted-average discount rate	4.0 %	4.0 %

At December 31, 2022, our future minimum payments under operating leases were as follows:

(in thousands)		
2023		\$ 4,889
2024		4,485
2025		4,369
2026		3,764
2027		1,265
Total future payments		18,772
Less: imputed interest		(1,486)
Total operating lease liabilities		\$ 17,286

### Purchase Commitments

We have entered into separate noncancelable agreements with computing infrastructure, customer relationship management, and performance and security data analytics vendors for services through 2025. At December 31, 2022, the total remaining purchase commitments were \$4.9 million.

### Contingencies

We may be involved in various claims and legal actions in the normal course of business. We believe that the outcome of any such claim or legal action is not expected to have a material effect on our financial position, results of operations, or cash flows.

## NOTE J – Stockholders' Equity

### Share Repurchase Program

Our board of directors has authorized multiple non-concurrent programs to repurchase our common stock. Details of the programs and activity thereunder through December 31, 2022 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
2019 Program	November 2019	November 2021	\$ 50,000	\$ 29,611	\$ 20,389	N/A
2021 Program	November 2021	August 2022	50,000	49,992	8	N/A
2022 Program	August 2022	July 2024	50,000	2,992	N/A	\$ 47,008



The share repurchase activity by period was as follows:

(in thousands, except shares and per share amounts)	Year Ended December 31,		
	2022	2021	2020
Number of shares repurchased	361,745	176,103	371,902
Shares repurchased cost	\$ 43,215	\$ 20,430	\$ 18,950
Average price per repurchased share	\$ 119.46	\$ 116.01	\$ 50.95

#### 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 PSUs, RSAs, RSUs, and DSUs, to employees, non-employee directors and other consultants who provide services to us. We also provide an ESPP and 401(k) stock 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 that have not given their required notice, which is recognized on a pro-rata basis over the notice period prior to retirement. At December 31, 2022 there were 13.2 million shares available for grant under approved equity compensation plans.

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

(in thousands)	Year Ended December 31,		
	2022	2021	2020
Cost of revenues	\$ 8,684	\$ 6,760	\$ 3,948
Operating expenses			
Sales and marketing	7,590	6,248	4,119
Research and development	5,634	4,384	3,626
General and administrative	11,491	10,182	7,243
	\$ 33,399	\$ 27,574	\$ 18,936

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

(in thousands)	Year Ended December 31,		
	2022	2021	2020
Stock options	\$ 1,903	\$ 2,057	\$ 2,232
PSUs	7,509	6,417	3,219
RSUs	19,282	15,388	10,367
RSAs & DSUs	437	434	446
ESPP	2,144	1,391	1,117
401(k) stock match	2,124	1,887	1,555
	\$ 33,399	\$ 27,574	\$ 18,936

As of December 31, 2022, there was \$38.6 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 2.4 years.

#### Stock Options

Options generally vest over four years and, upon vesting, the holder is given the option to purchase shares of common stock at a specific strike price until expiration, which is generally seven years from the grant date.



Our stock option activity was as follows:

	Options (#)	Weighted Average Exercise Price (\$/share)
Outstanding at December 31, 2019	1,543,912	30.03
Granted	127,974	59.02
Exercised	(712,074)	26.11
Forfeited	(14,926)	43.14
Outstanding at December 31, 2020	944,886	36.71
Granted	53,223	105.53
Exercised	(311,378)	30.10
Forfeited	(8,081)	68.62
Outstanding at December 31, 2021	678,650	44.76
Granted	56,430	122.59
Exercised	(164,393)	29.86
Forfeited	(7,990)	92.48
Outstanding at December 31, 2022	562,697	56.24

Of the total outstanding options at December 31, 2022, 0.5 million were exercisable. The outstanding and exercisable options had a weighted average exercise price of \$47.80 per share and a weighted average remaining contractual life of 2.9 years.

The table below presents additional information related to our stock options:

(in thousands, except per share data)	Year Ended December 31,		
	2022	2021	2020
Fair value of options vested	\$ 1,996	\$ 2,509	\$ 3,000
Intrinsic value of options exercised	16,705	27,713	31,737
Intrinsic value of options outstanding	40,692	66,235	67,918
Weighted-average fair value per share of options granted	41.34	31.31	16.18

The fair values of the options granted were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Year Ended December 31,		
	2022	2021	2020
Life (in years)	4.3	4.4	4.0
Volatility	38 %	35 %	33 %
Dividend yield	—	—	—
Risk-free interest rate	2.50 %	0.59 %	0.99 %

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

In 2022, 2021, and 2020 we granted PSU awards with certain target performance levels. 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. Expense is recognized on a straight-line basis over the performance period, regardless of whether the market condition is satisfied as the likelihood of the market condition being met is included in the fair-value measurement of the award. In 2022, PSU awards granted in 2019 were earned and vested at the maximum performance level and less than 0.1 million shares of common stock were issued.

RSUs generally vest over four years and, upon vesting, the holder is entitled to receive shares of our common stock.



RSAs vest over one year and, upon vesting, the holder is entitled to receive shares of our common stock. In lieu of RSAs, a participant may elect to receive DSUs with one year vesting, but the participant directs delayed receipt of common shares of up to ten years after the end of service to us.

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

	(#)	Weighted Average Grant Date Fair Value (\$/share)
Outstanding at December 31, 2019	797,546	38.80
Granted	331,264	62.78
Vested and common stock issued	(222,606)	36.06
Forfeited	(167,782)	30.09
Outstanding at December 31, 2020	738,422	52.37
Granted	314,290	101.85
Vested and common stock issued	(331,669)	44.14
Forfeited	(18,883)	66.35
Outstanding at December 31, 2021	702,160	78.03
Granted	312,880	126.44
Vested and common stock issued	(276,872)	64.12
Forfeited	(26,010)	99.37
Outstanding at December 31, 2022	712,158	103.93

The number of PSUs, RSUs, RSAs, and DSUs outstanding at December 31, 2022 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 agreements.

#### Employee Stock Purchase Plan

Our ESPP activity was as follows:

(in thousands, except share data)	Year Ended December 31,		
	2022	2021	2020
Amounts for shares purchased	\$ 6,676	\$ 4,737	\$ 3,374
Shares purchased	70,107	55,726	61,833

A total of 1.7 million shares of common stock are remaining for issuance under the plan at December 31, 2022.

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:

	Year Ended December 31,		
	2022	2021	2020
Life (in years)	0.5	0.5	0.5
Volatility	42 %	32 %	43 %
Dividend yield	—	—	—
Risk-free interest rate	1.27 %	0.07 %	0.96 %



**Note L – Income Taxes**

Our provision for income taxes was comprised of the following components:

(in thousands)	Year Ended December 31,		
	2022	2021	2020
<b>Current</b>			
Federal	\$ 13,881	\$ 1,559	\$ —
State	4,149	1,890	1,249
Foreign	1,990	1,610	1,608
<b>Deferred</b>			
Federal	(2,530)	4,294	4,462
State	(751)	(88)	244
Foreign	(549)	(321)	(469)
	<u>\$ 16,190</u>	<u>\$ 8,944</u>	<u>\$ 7,094</u>

Our income tax expense differed from the amounts computed by applying the U.S. federal income tax rate to pretax income as a result of the following:

	Year Ended December 31,		
	2022	2021	2020
U.S. statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Increase (decrease) resulting from:			
U.S. state income taxes, net of federal tax effect	4.6	4.5	4.5
Tax impact of stock activity	(4.7)	(12.8)	(12.9)
Nondeductible compensation	3.5	5.0	1.8
Research and development credit	(1.5)	(1.1)	(0.6)
Foreign derived intangible income	(1.4)	(1.3)	(1.3)
Other	1.2	1.4	1.0
Effective tax rate	<u>22.7 %</u>	<u>16.7 %</u>	<u>13.5 %</u>





The significant components of our deferred tax assets and liabilities were as follows:

(in thousands)	December 31,	
	2022	2021
<b>Deferred tax assets</b>		
Net operating loss and credit carryforwards	\$ 9,970	\$ 4,828
Stock-based compensation expense	5,084	3,934
Accrued expenses	4,469	5,174
Operating lease liabilities	4,384	5,235
Research and development capitalized	9,591	—
Other deferred tax assets	2,408	2,778
Gross deferred tax assets	35,906	21,949
Less: valuation allowance	(1,873)	(1,815)
Total net deferred tax assets	\$ 34,033	\$ 20,134
<b>Deferred tax liabilities</b>		
Deferred costs	\$ (17,696)	\$ (15,126)
Right-of-use assets	(2,338)	(2,787)
Depreciation and amortization	(20,282)	(8,820)
Other deferred tax liabilities	(909)	(364)
Total deferred tax liabilities	(41,225)	(27,097)
Net deferred tax liabilities	\$ (7,192)	\$ (6,963)

Amounts for the year ended December 31, 2021 have been reclassified to be consistent with the current classification.

As of December 31, 2022, we had net operating loss carryforwards of \$40.9 million for U.S. federal tax purposes and \$4.5 million for state tax purposes. If not utilized, the loss carryforwards will expire between 2023 and 2036 for federal tax purposes and between 2026 and 2042 for state tax purposes. Section 382 of the U.S. Internal Revenue Code generally imposes an annual limitation on the amount of net operating loss carryforwards that might be used to offset taxable income when a corporation has undergone significant changes in stock ownership. As of December 31, 2022, all \$40.9 million of our net operating loss carryforwards are subject to Section 382 limitations, of which we believe \$6.8 million of federal losses will expire unused due to Section 382 limitations. Accordingly, our deferred tax assets are reported net of the Section 382 limitations.

We are subject to income taxes for U.S. federal and various state and international jurisdictions. We are generally subject to U.S. federal and state tax examinations for most prior tax years due to our net operating loss and R&D credit carryforwards and the utilization of the carryforwards in years still open under statute.

#### NOTE M – Other Income and Expense

Other income (expense), net included the following:

(in thousands)	Year Ended December 31,		
	2022	2021	2020
Investment income	\$ 1,670	\$ 278	\$ 1,208
Realized gain (loss) from foreign currency on cash and investments held	(1,026)	(1,456)	1,753
Change in earn-out liability	—	—	(85)
Other expense, net	(502)	(366)	(354)
Total other income (expense), net	\$ 142	\$ (1,544)	\$ 2,522

Effective January 1, 2021, all realized gains or losses and interest income on our investments are included in investment income. Previously, realized gains and losses were included in other income (expense), net and interest income was included in interest income, net. Additionally, realized gains or losses from foreign currency on cash and investments



held were previously included in other income (expense), net. Amounts for the year ended December 31, 2020 have been reclassified to be consistent with the current classification.

#### NOTE N – Net Income Per Share

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

(in thousands, except per share amounts)	Year Ended December 31,		
	2022	2021	2020
<b>Numerator</b>			
Net income	\$ 55,134	\$ 44,597	\$ 45,586
<b>Denominator</b>			
Weighted average common shares outstanding, basic	36,117	35,928	35,226
Options to purchase common stock	382	529	611
PSUs, RSUs, RSAs, and DSUs	454	505	448
Weighted average common shares outstanding, diluted	36,953	36,962	36,285
<b>Net income per share</b>			
Basic	\$ 1.53	\$ 1.24	\$ 1.29
Diluted	\$ 1.49	\$ 1.21	\$ 1.26

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:

(in thousands)	Year Ended December 31,		
	2022	2021	2020
Anti-dilutive shares	75	31	26

#### NOTE O – Retirement Savings Plan

We sponsor a 401(k) retirement savings plan for our employees. Employees can contribute up to 80% of their compensation, subject to the limits established by law, and we match 50% of the employee's contribution up to the first 6% of pre-tax annual compensation. A portion of our match is in Company stock, which is purchased from the open market by our plan provider and immediately deposited into the employee's 401(k) account. Additionally, we make statutory contributions to retirement plans as required by local foreign government regulations.

Our total contributions to the plan were as follows:

(in thousands)	Year Ended December 31,		
	2022	2021	2020
Retirement contributions	\$ 5,386	\$ 4,790	\$ 3,889

#### NOTE P – Geographic Information

##### Revenue

The percentage of domestic revenue, which we define as the percentage of consolidated revenue that was attributable to customers based within the U.S., was as follows:

	Year Ended December 31,		
	2022	2021	2020
Domestic revenue	84 %	84 %	85 %

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



### Property and Equipment

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

	December 31,	
	2022	2021
International property and equipment	13 %	12 %

### NOTE Q— Related Party Transactions

The SPS Commerce Foundation (the “Foundation”) is a Minnesota non-profit organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed in 2015 to engage in, advance, support, promote and administer charitable activities. The directors of the Foundation are also our corporate officers. These directors receive no compensation from the Foundation or us for the management services performed for the Foundation. The Foundation is not a subsidiary of ours and the financial results of the Foundation are not consolidated with our financial statements. We have no current legal obligations for future commitments to the Foundation. Our contributions to the Foundation were as follows:

(in thousands)	Year Ended December 31,		
	2022	2021	2020
Foundation contributions	\$ 2,750	\$ 2,400	\$ 1,800

### Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

### Item 9A. Controls and Procedures

#### Assessment of Disclosure Controls and Procedures

We assessed the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2022, the end of the period covered by this Annual Report on Form 10-K. This assessment was done under the supervision and with the participation of management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). Disclosure controls and procedures means controls and other procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed such that information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Based on this assessment, our CEO and CFO have concluded that as of December 31, 2022, our disclosure controls and procedures were effective.

#### Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officer and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.



Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our principal executive and financial officers, we assessed our internal control over financial reporting as of December 31, 2022, based on criteria for effective internal control over financial reporting established in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management concluded that we maintained effective internal control over financial reporting as of December 31, 2022 based on the specified criteria.

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, as of December 31, 2022, our scope of the assessment of our internal control over financial reporting excluded GCommerce and InterTrade, which were acquired in July 2022 and in October 2022, respectively. Our assessment of the effectiveness of internal control over financial reporting as of December 31, 2023 will include GCommerce and InterTrade.

As of December 31, 2022, excluding net intangible assets and goodwill, GCommerce and InterTrade combined represented 3.7% of our consolidated assets. For the twelve months ended December 31, 2022, GCommerce and InterTrade combined represented 1.4% of our consolidated revenues.

The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by KPMG LLP, our independent registered public accounting firm, as stated in their report, which is included under Item 8 of this Annual Report on Form 10-K.

### ***Changes in Internal Control over Financial Reporting***

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 9B. Other Information**

The information included in this Item 9B is provided in lieu of filing such information on a Current Report on Form 8-K under Item 5.03 Amendments to Articles of Incorporation or Bylaws; Changes in Fiscal Year.

On February 17, 2023, the Board of Directors of the Company amended and restated the Company's Amended and Restated Bylaws (as so amended and restated, the "Bylaws"), primarily to implement certain procedural mechanisms related to stockholder nominations of directors under Rule 14a-19 ("Rule 14a-19") under the Securities Exchange Act of 1934, as amended. These amendments took immediate effect. The amendments implement the following changes to the Bylaws, among other things:

- require a stockholder soliciting proxies in support of nominations of persons, other than the Company's nominees, for election to the Company's Board of Directors to certify their compliance with Rule 14a-19 and, upon request of the Company, to deliver reasonable evidence of such compliance to the Company no later than five business days prior to the date of the applicable meeting of stockholders;
- provide that, unless otherwise required by law, if a stockholder provides notice under Rule 14a-19 and subsequently: (i) notifies the Company that such stockholder no longer intends to solicit proxies in support of director nominees other than the Company's director nominees in accordance with Rule 14a-19; (ii) fails to comply with the requirements of Rule 14a-19; or (iii) fails to provide reasonable evidence sufficient to satisfy the Company that the requirements of Rule 14a-19 have been met, then the stockholder's nominations shall be deemed null and void and the Company shall disregard any proxies or votes solicited for any nominee proposed by such stockholder;
- establish additional rules governing the conduct of meetings of stockholders;
- update references to meetings using remote communication;
- reserve white proxy cards for use by the Company's Board of Directors only; and
- incorporate other technical, clarifying and conforming changes.



The foregoing description of the amendments to the Bylaws is qualified in its entirety by reference to the text of the Bylaws. The Bylaws, along with a copy marked to show changes from the prior version, are included as Exhibits 3.2 and 3.3, respectively, to this Annual Report on Form 10-K and are incorporated herein by reference.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not Applicable.



## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be included in the 2023 Proxy Statement under the captions “Election of Directors,” “Executive Compensation,” and “Information Regarding the Board of Directors and Corporate Governance” and is incorporated herein by reference.

### Item 11. Executive Compensation

The information required by this item will be included in the 2023 Proxy Statement under the captions “Executive Compensation,” and “Security Ownership” and is incorporated herein by reference.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be included in the 2023 Proxy Statement under the caption “Security Ownership” and is incorporated herein by reference.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included in the 2023 Proxy Statement under the captions “Certain Relationships and Related Transactions,” “Information Regarding the Board of Directors and Corporate Governance,” and “Election of Directors” and is incorporated herein by the reference.

### Item 14. Principal Accounting Fees and Services

The information required by this item will be included in the 2023 Proxy Statement under the caption “Audit Committee Report and Payment of Fees to Our Independent Auditor” and is incorporated herein by reference.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as a part of this Annual Report on Form 10-K:

- (a) Financial Statements: The financial statements filed as a part of this report are listed in Part II, Item 8.
- (b) Financial Statement Schedules: The schedules are either not applicable or the required information is presented in the consolidated financial statements or notes thereto.
- (c) Exhibits: The exhibits incorporated by reference or filed as a part of this Annual Report on Form 10-K are listed in the Exhibit Index prior to the signatures to this report.



## EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated By Reference			Filed Herewith
		Form	Date of First Filing	Exhibit Number	
3.1	<a href="#">Ninth Amended and Restated Certificate of Incorporation</a>	8-K	05/21/2020	3.2	
3.2	<a href="#">Amended and Restated Bylaws, effective as of February 17, 2023</a>				X
3.3	<a href="#">Amended and Restated Bylaws, marked to show amendments effective as of February 17, 2023</a>				X
4.1	<a href="#">Description of Capital Stock</a>	10-K	2/23/2021	4.1	
10.1	<a href="#">2010 Equity Incentive Plan, as amended effective October 29, 2014**</a>	10-K	02/20/2015	10.6	
10.2	<a href="#">Form of Incentive Stock Option Agreement under 2010 Equity Incentive Plan**</a>	8-K	02/17/2012	10.2	
10.3	<a href="#">Form of Non-Statutory Stock Option Agreement (Employee) under 2010 Equity Incentive Plan**</a>				X
10.4	<a href="#">Form of Non-Statutory Stock Option Agreement (Director) under 2010 Equity Incentive Plan**</a>	8-K	02/17/2012	10.4	
10.5	<a href="#">Form of Restricted Stock Unit Award Agreement under 2010 Equity Incentive Plan**</a>				X
10.6	<a href="#">Form of Restricted Stock Award Agreement under 2010 Equity Incentive Plan**</a>	10-Q	05/08/2012	10.6	
10.7	<a href="#">Form of Performance Stock Unit Agreement under 2010 Equity Incentive Plan**</a>				X
10.8	<a href="#">Form of Deferred Stock Unit Agreement under 2010 Equity Incentive Plan</a>	10-Q	04/26/2019	10.2	
10.9	<a href="#">Form of Indemnification Agreement for Independent Directors**</a>	S-1/A	01/11/2010	10.18	
10.10	<a href="#">Form of Indemnification Agreement for Archie C. Black**</a>	S-1/A	01/11/2010	10.19	
10.11	<a href="#">Management Incentive Plan**</a>	8-K	02/03/2016	10.2	
10.12	<a href="#">Amended and Restated Executive Severance and Change in Control Agreement between the Company and Archie C. Black**</a>	8-K	02/18/2020	10.1	
10.13	<a href="#">Form of Amended and Restated Executive Severance and Change in Control Agreement**</a>	8-K	02/18/2020	10.2	
10.14	<a href="#">Non-Employee Director Compensation Summary**</a>				X
21.1	<a href="#">Subsidiaries of the registrant</a>				X
23.1	<a href="#">Consent of KPMG LLP</a>				X
24.1	<a href="#">Power of Attorney (included on signature page)</a>				X
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended</a>				X



Exhibit Number	Exhibit Description	Incorporated By Reference			Filed Herewith
		Form	Date of First Filing	Exhibit Number	
31.2	<a href="#">Certification of Principal Financial Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended</a>				X
32.1	<a href="#">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</a>				X
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T				X
104	The cover page from the Annual Report on Form 10-K for the year ended December 31, 2022, formatted in Inline XBRL				X

\*\* Indicates management contract or compensatory plan or arrangement.

**Item 16. Form 10-K Summary**

None.





## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: February 21, 2023

**SPS COMMERCE, INC.**

By: /s/ ARCHIE BLACK

Archie Black

*Chief Executive Officer*

Each of the undersigned hereby appoints Archie Black and Kimberly Nelson, and each of them (with full power to act alone), as attorneys and agents for the undersigned, with full power of substitution, for and in the name, place and stead of the undersigned, to sign and file with the Securities and Exchange Commission under the Securities Exchange Act of 1934, any and all amendments and exhibits to this annual report on Form 10-K and any and all applications, instruments, and other documents to be filed with the Securities and Exchange Commission pertaining to this annual report on Form 10-K or any amendments thereto, with full power and authority to do and perform any and all acts and things whatsoever requisite and necessary or desirable. Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 21, 2023.

<b>Name and Signature</b>	<b>Title</b>
<u>/s/ ARCHIE BLACK</u> Archie Black	<i>Chief Executive Officer and Director (principal executive officer)</i>
<u>/s/ KIMBERLY NELSON</u> Kimberly Nelson	<i>Executive Vice President and Chief Financial Officer (principal financial and accounting officer)</i>
<u>/s/ JAMES RAMSEY</u> James Ramsey	<i>Director</i>
<u>/s/ MARTY RÉAUME</u> Marty Réaume	<i>Director</i>
<u>/s/ TAMI RELLER</u> Tami Reller	<i>Director</i>
<u>/s/ PHILIP SORAN</u> Philip Soran	<i>Director</i>
<u>/s/ ANNE SEMPOWSKI WARD</u> Anne Sempowski Ward	<i>Director</i>
<u>/s/ SVEN WEHRWEIN</u> Sven Wehrwein	<i>Director</i>



**Amended And Restated Bylaws  
of  
SPS COMMERCE, INC.  
As of February 17, 2023**

**ARTICLE I  
OFFICES**

Section 1.1 Registered Office. The Corporation shall maintain a registered office and registered agent within the State of Delaware at such place within such state as may be designated from time to time by the board of directors of the Corporation.

Section 1.2 Other Offices. The Corporation may also have offices in such other places, either within or without the State of Delaware, as the board of directors from time to time may designate or the business of the Corporation may from time to time require.

**ARTICLE II  
STOCKHOLDERS**

Section 2.1 Meetings of Stockholders.

(a) *Meetings*. Meetings of the stockholders of the Corporation shall be held on such date and at such time as may be fixed by resolution of the board of directors. At the annual meeting stockholders shall elect directors and transact such other business as properly may be brought before the meeting.

(b) *Place of Meetings*. Meetings of the stockholders shall be held at such place, either within or without the State of Delaware, or solely by means of remote communication, as the board of directors shall determine.

(c) *Notice of Meeting*. Written notice, stating the place, if any, day and time of the meeting, and the means of remote communication, if any, shall be delivered by the Corporation not less than ten days nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at such meeting. Notice of a special meeting shall also state the purpose or purposes for which the meeting has been called. Without limiting the manner by which notice may otherwise be given, notice may be given by a form of electronic transmission that satisfies the requirements of the Delaware General Corporation Law and has been consented to by the stockholder to whom notice is given. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at his or her address as it appears in the Corporation's records. Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present in accordance with Article VIII of these Bylaws. Any previously scheduled meeting of the stockholders may be postponed, and any special meeting of the stockholders may be cancelled, by resolution of the board of directors upon public notice given prior to the date previously scheduled for such meeting of stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting (or any supplement thereto).

(d) *Chair of Stockholder's Meeting*. The Chair of the Board, or in the Chair's absence, a Vice Chair, or in the absence of any Vice Chair, the Chief Executive Officer, or in the absence of the Chief Executive Officer, the Secretary, or in the absence of the Secretary, a chair chosen by a majority of the directors present, shall act as chair of the meetings of the stockholders.

(e) *Conduct of Meetings*. The board of directors shall be entitled to make such rules and regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate, or convenient. Subject to such rules and regulations of the board of directors, if any, the chair of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations, and procedures and to do all such acts as, in the judgment of such chair, are necessary, appropriate, or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies, and such other persons as the chair shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants, and regulation of the opening and closing of the polls for balloting and matters which are to be voted on by ballot.

Section 2.2 Quorum of Stockholders; Adjournment; Required Vote.

(a) *Quorum of Stockholders; Adjournment*. Except as otherwise provided by law, by the Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") or by these Bylaws, the holders of a

majority of the voting power of the outstanding shares of the Corporation entitled to vote generally in the election of directors (the “*Voting Stock*”), present in person or represented by proxy, shall constitute a quorum at a meeting of the stockholders, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum of such class or series for the transaction of such business. The chair of the meeting or a majority of the shares so represented may adjourn the meeting from time to time, whether or not there is such a quorum. No notice of the time and place of adjourned meetings need be given, except that notice of the adjourned meeting shall be required if the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned meeting. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

(b) *Required Vote*. The affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders, except as otherwise provided by express provision of law, the Certificate of Incorporation or these Bylaws requiring a larger or different vote, in which case such express provision shall govern and control the decision of such matter.

### Section 2.3 Voting by Stockholders and Proxies; Procedures for Election of Directors.

(a) *Voting by Stockholders and Proxies*. Each stockholder of record entitled to vote at any meeting may do so in person or by proxy appointed by instrument in writing or in such other manner prescribed by the Delaware General Corporation Law, subscribed by such stockholder or his or her duly authorized attorney in fact. Any stockholder directly or indirectly soliciting proxies from other stockholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the board of directors.

(b) *Procedure for Election of Directors*. Election of directors at all meetings of the stockholders at which directors are to be elected shall be by ballot. Subject to Section 3.9 and the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, each director shall be elected by the vote of a majority of the votes cast with respect to that director nominee at any meeting of the stockholders for the election of directors at which a quorum is present, provided that if the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. For purposes of this section, a majority of votes cast means that the number of shares voted “for” a director’s election must exceed the number of votes cast “against” that director’s election. If a nominee for director is not elected and the nominee is an incumbent director, the director shall promptly tender his or her resignation to the board of directors, subject to acceptance by the board of directors. The governance and nominating committee (or other committee tasked with responsibilities of the type held by such a committee) will make a recommendation to the board of directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The board of directors will act on the governance and nominating committee’s recommendation, and publicly disclose its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The director who tenders his or her resignation will not participate in the recommendation of the governance and nominating committee or the decision of the board of directors with respect to his or her resignation. If a director’s resignation is accepted by the board of directors pursuant to this section, or if a nominee for director is not elected and the nominee is not an incumbent director, then the board of directors may fill the resulting vacancy pursuant to Section 3.9 of these Bylaws, or may decrease the size of the Board of Directors pursuant to Section 3.2 of these Bylaws.

### Section 2.4 Notice of Stockholder Business and Nominations.

#### (a) *Annual Meetings of Stockholders*.

(1) Nominations of persons for election to the board of directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (A) pursuant to the Corporation’s notice of meeting, (B) by or at the direction of the board of directors, or (C) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Bylaw, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (C) of paragraph (a)(1) of this Bylaw, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder’s notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year’s annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such

annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (A) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in any proxy materials as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and any such beneficial owner, as well as a description of all securities or contracts, with a value derived in whole or in part from the value of any shares of the Corporation, held by the stockholder and such beneficial owner or to which either is a party, (iii) a description of all arrangements or understandings between such stockholder and any such beneficial owner and any other person or persons (including their names) regarding the nomination or other business, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice or to vote on the business proposed to be brought before the meeting, and (v) a description of any other information relating to such stockholder and any such beneficial owner that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies pursuant to Regulation 14A under the Exchange Act. A stockholder who intends to solicit proxies in support of director nominees other than the Corporation's director nominees and who has delivered a notice of nomination pursuant to this Bylaw shall promptly certify to the Corporation, and notify the Corporation in writing, that it has complied with or will comply with the requirements of Rule 14a-19 under the Exchange Act, and upon request of the Corporation, shall, not later than five business days prior to the date of the applicable meeting of stockholders, deliver to the Corporation reasonable evidence of such compliance.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Bylaw to the contrary, in the event that the number of directors to be elected to the board of directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased board of directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(b) *Special Meetings of Stockholders.* The business to be transacted at any special meeting shall be limited to the purposes stated in the notice of such meetings. Nominations of persons for election to the board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the board of directors or (2) provided that the board of directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the board of directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (a)(2) of this Bylaw shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) *General.*

(1) Only such persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the chair of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Bylaw and, if any proposed nomination or business is not in compliance with this Bylaw, to declare that such defective proposal or nomination

shall be disregarded. Unless otherwise required by law, if any stockholder (i) provides notice pursuant to Rule 14a-19 under the Exchange Act and (ii) subsequently (A) notifies the Corporation that such stockholder no longer intends to solicit proxies in support of director nominees other than the Corporation's director nominees in accordance with Rule 14a-19, (B) fails to comply with the requirements of Rule 14a-19, or (C) fails to provide reasonable evidence sufficient to satisfy the Corporation that such requirements have been met, then such stockholder's nominations shall be deemed null and void and the Corporation shall disregard any proxies or votes solicited for any nominee proposed by such stockholder.

(2) For purposes of this Bylaw, "*public announcement*" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder (including Rule 14a-19) with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights (A) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (B) of the holders of any series of Preferred Stock to elect directors under specified circumstances.

Section 2.5 Inspectors of Elections; Opening and Closing the Polls. The board of directors by resolution shall appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at the meetings of stockholders and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act or is able to act at a meeting of stockholders, the chair of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by law. The chair of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at the meeting.

### **ARTICLE III BOARD OF DIRECTORS**

Section 3.1 General Powers. The business and affairs of the Corporation shall be managed under the direction of the board of directors. In addition to the powers and authorities by these Bylaws expressly conferred upon them, the board of directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws required to be exercised or done by the stockholders.

Section 3.2 Number, Tenure and Qualifications. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, the number of directors of the Corporation shall be fixed, and may be increased or decreased from time to time, exclusively by the board of directors. The directors shall hold office until their successors are elected and qualified. At each annual meeting of the stockholders of the Corporation, the directors whose term expires at that meeting shall be elected for a term expiring at the next annual meeting of stockholders.

Section 3.3 Regular Meetings. A regular meeting of the board of directors may be held without other notice than this Bylaw immediately after, and at the same place as, the Annual Meeting of Stockholders. The board of directors may, by resolution, provide the time and place for the holding of additional regular meetings without other notice than such resolution.

Section 3.4 Special Meetings. Special meetings of the board of directors may be called at the request of the Chair of the Board, the Chief Executive Officer or the board of directors. The person or persons authorized to call special meetings of the board of directors may fix the place and time of the meetings. Notice of any special meeting shall be given to each director and shall state the time and place for the special meeting.

Section 3.5 Notice. If notice of a board of directors' meeting is required to be given, notice shall be given to each director at his or her business or residence in writing by hand delivery, first-class or overnight mail or courier service, electronic transmission (including, without limitation, via facsimile transmission or electronic mail), or orally by telephone. If mailed by first-class mail, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, no later than the third business day preceding the date of such meeting. If by overnight mail or courier service, such notice shall be deemed adequately delivered when the notice is delivered to the overnight mail or courier service company at least twenty-four hours before such meeting. If by electronic transmission, such notice shall be deemed adequately delivered when the notice is

transmitted at least 12 hours before such meeting. If by telephone or by hand delivery, the notice shall be given at least 12 hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice of such meeting, except for amendments to these Bylaws, as provided under Article IX of these Bylaws. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in accordance with Article VIII of these Bylaws.

Section 3.6 Quorum. Subject to Section 3.9 of these Bylaws, a majority of the board of directors then in office shall constitute a quorum for the transaction of business, but if at any meeting of the board of directors there shall be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors. The directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 3.7 Use of Communications Equipment. Directors may participate in a meeting of the board of directors or any committee thereof by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 3.8 Action by Consent of Board of Directors. Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee.

Section 3.9 Vacancies. Subject to applicable law and the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, and unless the board of directors otherwise determines, vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause, and newly created directorships resulting from any increase in the authorized number of directors, may be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum of the board of directors, or by the sole remaining director, and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders and until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the board of directors shall shorten the term of any incumbent director.

Section 3.10 Committees. The board of directors may designate one or more committees, each of which shall consist of one or more directors. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member.

Any committee shall, to the extent provided in a resolution of the board of directors and subject to the limitations contained in the Delaware General Corporation Law, have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the Corporation. Each committee shall keep such records and report to the board of directors in such manner as the board of directors may from time to time determine. Except as the board of directors may otherwise determine, any committee may make rules for the conduct of its business. Unless otherwise provided in a resolution of the board of directors or in rules adopted by the committee, each committee shall conduct its business as nearly as possible in the same manner as provided in these Bylaws for the board of directors.

The board of directors shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. The term of office of the members of each committee shall be as fixed from time to time by the board of directors; provided, however, that any committee member who ceases to be a member of the board of directors shall automatically cease to be a committee member.

Nothing herein shall be deemed to prevent the board of directors from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the board of directors.

#### **ARTICLE IV** **BOOKS AND RECORDS**

The board of directors shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board and of the stockholders, appropriate stock books and registers and such books of records and accounts as may be necessary for the proper conduct of the business of the Corporation. Unless otherwise required by the

laws of Delaware, the books and records of the Corporation may be kept at the principal office of the Corporation, or at any other place or places inside or outside the State of Delaware, as the board of directors from time to time may designate.

## **ARTICLE V** **OFFICERS**

Section 5.1 Officers; Election or Appointment. The board of directors shall take such action as may be necessary from time to time to ensure that the Corporation has such officers as are necessary, under Section 6.1 of these Bylaws and the Delaware General Corporation Law as currently in effect or as the same may hereafter be amended, to enable it to sign stock certificates. In addition, the board of directors at any time and from time to time may elect (a) one or more Chair of the Board and/or one or more Vice Chairs of the Board from among its members, (b) one or more Chief Executive Officers, one or more Presidents and/or one or more Chief Operating Officers, (c) one or more Vice Presidents, one or more Treasurers and/or one or more Secretaries and/or (d) one or more other officers, in each case if and to the extent the board of directors deems desirable. The board of directors may give any officer such further designations or alternate titles as it considers desirable. In addition, the board of directors at any time and from time to time may authorize the Chair of the Board or the Chief Executive Officer of the Corporation to appoint one or more officers of the kind described in clauses (c) and (d) above. Any number of offices may be held by the same person and directors may hold any office unless the Certificate of Incorporation or these Bylaws otherwise provide.

Section 5.2 Term of Office; Resignation; Removal; Vacancies. Unless otherwise provided in the resolution of the board of directors electing or authorizing the appointment of any officer, each officer shall hold office until his or her successor is elected or appointed and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the board of directors or to such person or persons as the board of directors may designate. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. The board of directors may remove any officer with or without cause at any time. The Chair of the Board or the Chief Executive Officer authorized by the board of directors to appoint a person to hold an office of the Corporation may also remove such person from such office with or without cause at any time, unless otherwise provided in the resolution of the Board providing such authorization. Any such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation, but the election or appointment of an officer shall not of itself create contractual rights. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled by the board of directors at any regular or special meeting or by the Chair of the Board or the Chief Executive Officer authorized by the board of directors to appoint a person to hold such office.

Section 5.3 Powers and Duties. The officers of the Corporation shall have such powers and duties in the management of the Corporation as shall be stated in these Bylaws or in a resolution of the board of directors which is not inconsistent with these Bylaws and, to the extent not so stated, as generally pertain to their respective offices, subject to the control of the board of directors. A Secretary or such other officer appointed to do so by the board of directors shall have the duty to record the proceedings of the meetings of the stockholders, the board of directors and any committees in a book to be kept for that purpose.

## **ARTICLE VI** **STOCK CERTIFICATES**

Section 6.1 Stock Certificates. The board of directors may authorize the issuance of stock either in certificated or in uncertificated form. If shares are issued in certificated form, each stockholder shall be entitled upon written request to a stock certificate or certificates duly numbered, certifying the number and class of shares in the Corporation owned by him and otherwise as specified in this Section 6.1. Each certificate for shares of stock shall be in such form as may be prescribed by the board of directors and shall be signed in the name of the Corporation by (a) the Chair of the Board, the Chief Executive Officer or a Vice President, and (b) by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue. Each certificate will include any legends required by law or deemed necessary or advisable by the board of directors.

Section 6.2 Lost Certificates. No certificate for shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of such evidence of such loss, destruction or theft and on delivery to the Corporation of a bond of indemnity in such amount, upon such terms and secured by such surety, as the board of directors or any financial officer of the Corporation may in its or his or her discretion require.

Section 6.3 Transfers of Stock. The shares of the stock of the Corporation shall be transferable on the books of the Corporation by the holder thereof in a person or by his or her attorney upon surrender for cancellation of a certificate or certificates for at least the same number of shares, or other evidence of ownership if no certificates shall have been issued, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, and with such proof of the validity and authenticity of the signature as the Corporation or its agents may reasonably require.

#### **ARTICLE VII** **DEPOSITARIES AND CHECKS**

Depositaries of the funds of the Corporation shall be designated by the board of directors; and all checks on such funds shall be signed by such officers or other employees of the Corporation as the board of directors from time to time may designate.

#### **ARTICLE VIII** **WAIVER OF NOTICE**

Any notice of a meeting required to be given by law, by the Certificate of Incorporation, or by these Bylaws may be waived by the person entitled thereto, either before or after the time of such meeting stated in such notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders or the board of directors or committee thereof need be specified in any waiver of notice of such meeting.

#### **ARTICLE IX** **AMENDMENT**

These Bylaws may be altered, amended, or repealed at any meeting of the board of directors or of the stockholders, provided notice of the proposed change was given in the notice of the meeting.

#### **ARTICLE X** **INDEMNIFICATION AND INSURANCE**

Section 10.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit, claim or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “*proceeding*”), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Corporation, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section 10.4 of this Article X, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors.

Section 10.2 Advancement of Expenses. The right to indemnification conferred in this Article X shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the Corporation within 20 days after receipt by the Corporation of a written statement or statements from the claimant requesting such advance or advances; provided, however, that if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Article X or otherwise.



Section 10.3 Obtaining Indemnification. To obtain indemnification under this Article X, a claimant shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this Section 10.3, a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (1) if requested by the claimant, by Independent Counsel (as hereinafter defined), or (2) if no request is made by the claimant for a determination by Independent Counsel, (i) by the board of directors by a majority vote of a quorum consisting of Disinterested Directors (as hereinafter defined), or (ii) if a quorum of the board of directors consisting of Disinterested Directors is not obtainable or, even if obtainable, such quorum of Disinterested Directors so directs, by Independent Counsel in a written opinion to the board of directors, a copy of which shall be delivered to the claimant, or (iii) if a quorum of Disinterested Directors so directs, by the stockholders of the Corporation. In the event the determination of entitlement to indemnification is to be made by Independent Counsel at the request of the claimant, the Independent Counsel shall be selected by the board of directors unless there shall have occurred within two years prior to the date of the commencement of the action, suit or proceeding for which indemnification is claimed a Change in Control (as defined below), in which case the Independent Counsel shall be selected by the claimant unless the claimant shall request that such selection be made by the board of directors. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within 30 days after such determination. If a claimant is successful, in whole or in part, in any suit brought against the Corporation to recover the unpaid amount of any written claim to indemnification, the claimant shall be entitled to be paid also the expense of prosecuting such claim.

Section 10.4 Right of Claimant to Bring Suit. If a claim under Section 10.1 of this Article X is not paid in full by the Corporation within thirty days after a written claim pursuant to Section 10.3 of this Article X has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its board of directors, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its board of directors, Independent Counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 10.5 Corporation's Obligation to Indemnify. If a determination shall have been made pursuant to Section 10.3 of this Article X that the claimant is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to Section 10.4 of this Article X.

Section 10.6 Preclusion from Challenging Article X. The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to Section 10.4 of this Article X that the procedures and presumptions of this Article X are not valid, binding and enforceable and shall stipulate in such proceeding that the Corporation is bound by all the provisions of this Article X.

For purposes of this Article X:

(a) "*Change in Control*" shall be deemed to occur only if a majority of the members of the board of directors shall not be (i) individuals elected as directors of the Corporation for whose election proxies shall have been solicited by the board of directors of the Corporation or (ii) individuals elected or appointed by the board of directors of the Corporation to fill vacancies on the board of directors caused by death or resignation (but not by removal) or to fill newly created directorships.

(b) "*Disinterested Director*" means a director of the Corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(c) "*Independent Counsel*" means a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporation law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Corporation or the claimant in an action to determine the claimant's rights under this Article X.

Section 10.7 Non-exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article X shall not be exclusive of any

other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or otherwise. No repeal or modification of this Article X shall in any way diminish or adversely affect the rights of any director, officer, employee or agent of the Corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

Section 10.8 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law. To the extent that the Corporation maintains any policy or policies providing such insurance, each such director or officer, and each such agent or employee to which rights to indemnification have been granted as provided in Section 10.9 of this Article X, shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such director, officer, employee or agent.

Section 10.9 Other Employees and Agents. The Corporation may, to the extent authorized from time to time by the board of directors, grant rights to indemnification, and rights to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent or class of employees or agents of the Corporation (including the heirs, executors, administrators or estate of each such person) to the fullest extent of the provisions of this Article X with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

Section 10.10 Validity of Article X. If any provision or provisions of this Article X shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Article X (including, without limitation, each portion of any paragraph of this Article X containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Article X (including, without limitation, each such portion of any paragraph of this Article X containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

## **ARTICLE XI** **MISCELLANEOUS PROVISIONS**

Section 11.1 Fiscal Year. The fiscal year of the Corporation shall be as fixed by the board of directors.

Section 11.2 Dividends. The board of directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and the Certificate of Incorporation.

**Amended And Restated Bylaws  
of  
SPS COMMERCE, INC.  
As of February 17, 2023**

**ARTICLE I  
OFFICES**

Section 1.1 Registered Office. The Corporation shall maintain a registered office and registered agent within the State of Delaware at such place within such state as may be designated from time to time by the board of directors of the Corporation.

Section 1.2 Other Offices. The Corporation may also have offices in such other places, either within or without the State of Delaware, as the board of directors from time to time may designate or the business of the Corporation may from time to time require.

**ARTICLE II  
STOCKHOLDERS**

Section 2.1 Meetings of Stockholders.

(a) *Meetings*. Meetings of the stockholders of the Corporation shall be held on such date and at such time as may be fixed by resolution of the board of directors. At the annual meeting stockholders shall elect directors and transact such other business as properly may be brought before the meeting.

(b) *Place of Meetings*. Meetings of the stockholders shall be held at such place, either within or without the State of Delaware, or solely by means of remote communication, as the board of directors shall determine.

(c) *Notice of Meeting*. Written notice, stating the place, if any, day and hourtime of the meeting, and the means of remote communication, if any, shall be delivered by the Corporation not less than ten days nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at such meeting. Notice of a special meeting shall also state the purpose or purposes for which the meeting has been called. Without limiting the manner by which notice may otherwise be given, notice may be given by a form of electronic transmission that satisfies the requirements of the Delaware General Corporation Law and has been consented to by the stockholder to whom notice is given. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at his or her address as it appears in the Corporation's records. Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present in accordance with Article VIII of these Bylaws. Any previously scheduled meeting of the stockholders may be postponed, and any special meeting of the stockholders may be cancelled, by resolution of the board of directors upon public notice given prior to the date previously scheduled for such meeting of stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting (or any supplement thereto).

(d) *Chair of Stockholder's Meeting*. The Chair of the Board, or in the Chair's absence, a Vice Chair, or in the absence of any Vice Chair, the Chief Executive Officer, or in the absence of the Chief Executive Officer, the Secretary, or in the absence of the Secretary, a chair chosen by a majority of the directors present, shall act as chair of the meetings of the stockholders.

(e) Conduct of Meetings. The board of directors shall be entitled to make such rules and regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate, or convenient. Subject to such rules and regulations of the board of directors, if any, the chair of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations, and procedures and to do all such acts as, in the judgment of such chair, are necessary, appropriate, or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies, and such other persons as the chair shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants, and regulation of the opening and closing of the polls for balloting and matters which are to be voted on by ballot.

Section 2.2 Quorum of Stockholders; Adjournment; Required Vote.

(a) *Quorum of Stockholders; Adjournment*. Except as otherwise provided by law, by the Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") or by these Bylaws, the holders of a

majority of the voting power of the outstanding shares of the Corporation entitled to vote generally in the election of directors (the “*Voting Stock*”), present in person or represented by proxy, shall constitute a quorum at a meeting of the stockholders, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum of such class or series for the transaction of such business. The chair of the meeting or a majority of the shares so represented may adjourn the meeting from time to time, whether or not there is such a quorum. No notice of the time and place of adjourned meetings need be given, except that notice of the adjourned meeting shall be required if the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned meeting. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

(b) *Required Vote*. The affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders, except as otherwise provided by express provision of law, the Certificate of Incorporation or these Bylaws requiring a larger or different vote, in which case such express provision shall govern and control the decision of such matter.

### Section 2.3 Voting by Stockholders and Proxies; Procedures for Election of Directors.

(a) *Voting by Stockholders and Proxies*. Each stockholder of record entitled to vote at any meeting may do so in person or by proxy appointed by instrument in writing or in such other manner prescribed by the Delaware General Corporation Law, subscribed by such stockholder or his or her duly authorized attorney in fact. Any stockholder directly or indirectly soliciting proxies from other stockholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the board of directors.

(b) *Procedure for Election of Directors*. Election of directors at all meetings of the stockholders at which directors are to be elected shall be by ballot. Subject to Section 3.9 and the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, each director shall be elected by the vote of a majority of the votes cast with respect to that director nominee at any meeting of the stockholders for the election of directors at which a quorum is present, provided that if the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. For purposes of this section, a majority of votes cast means that the number of shares voted “for” a director’s election must exceed the number of votes cast “against” that director’s election. If a nominee for director is not elected and the nominee is an incumbent director, the director shall promptly tender his or her resignation to the board of directors, subject to acceptance by the board of directors. The governance and nominating committee (or other committee tasked with responsibilities of the type held by such a committee) will make a recommendation to the board of directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The board of directors will act on the governance and nominating committee’s recommendation, and publicly disclose its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The director who tenders his or her resignation will not participate in the recommendation of the governance and nominating committee or the decision of the board of directors with respect to his or her resignation. If a director’s resignation is accepted by the board of directors pursuant to this section, or if a nominee for director is not elected and the nominee is not an incumbent director, then the board of directors may fill the resulting vacancy pursuant to Section 3.9 of these Bylaws, or may decrease the size of the Board of Directors pursuant to Section 3.2 of these Bylaws.

### Section 2.4 Notice of Stockholder Business and Nominations.

#### (a) *Annual Meetings of Stockholders*.

(1) Nominations of persons for election to the board of directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (A) pursuant to the Corporation’s notice of meeting, (B) by or at the direction of the board of directors, or (C) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Bylaw, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (C) of paragraph (a)(1) of this Bylaw, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder’s notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year’s annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such

annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (A) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), ~~and Rule 14a-11 thereunder~~ (including such person's written consent to being named in ~~the~~ any proxy statement materials as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and any such beneficial owner, as well as a description of all securities or contracts, with a value derived in whole or in part from the value of any shares of the Corporation, held by the stockholder and such beneficial owner or to which either is a party, (iii) a description of all arrangements or understandings between such stockholder and any such beneficial owner and any other person or persons (including their names) regarding the nomination or other business, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice or to vote on the business proposed to be brought before the meeting, and (v) a description of any other information relating to such stockholder and any such beneficial owner that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies pursuant to Regulation 14A under the Exchange Act. A stockholder who intends to solicit proxies in support of director nominees other than the Corporation's director nominees and who has delivered a notice of nomination pursuant to this Bylaw shall promptly certify to the Corporation, and notify the Corporation in writing, that it has complied with or will comply with the requirements of Rule 14a-19 under the Exchange Act, and upon request of the Corporation, shall, not later than five business days prior to the date of the applicable meeting of stockholders, deliver to the Corporation reasonable evidence of such compliance.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Bylaw to the contrary, in the event that the number of directors to be elected to the board of directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased board of directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(b) *Special Meetings of Stockholders.* The business to be transacted at any special meeting shall be limited to the purposes stated in the notice of such meetings. Nominations of persons for election to the board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the board of directors or (2) provided that the board of directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the board of directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (a)(2) of this Bylaw shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) *General.*

(1) Only such persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the chair of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Bylaw and, if any proposed

nomination or business is not in compliance with this Bylaw, to declare that such defective proposal or nomination shall be disregarded. Unless otherwise required by law, if any stockholder (i) provides notice pursuant to Rule 14a-19 under the Exchange Act and (ii) subsequently (A) notifies the Corporation that such stockholder no longer intends to solicit proxies in support of director nominees other than the Corporation's director nominees in accordance with Rule 14a-19, (B) fails to comply with the requirements of Rule 14a-19, or (C) fails to provide reasonable evidence sufficient to satisfy the Corporation that such requirements have been met, then such stockholder's nominations shall be deemed null and void and the Corporation shall disregard any proxies or votes solicited for any nominee proposed by such stockholder.

(2) For purposes of this Bylaw, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder (including Rule 14a-19) with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights (A) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (B) of the holders of any series of Preferred Stock to elect directors under specified circumstances.

Section 2.5 Inspectors of Elections; Opening and Closing the Polls. The board of directors by resolution shall appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at the meetings of stockholders and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act or is able to act at a meeting of stockholders, the chair of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by law. The chair of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at the meeting.

### **ARTICLE III BOARD OF DIRECTORS**

Section 3.1 General Powers. The business and affairs of the Corporation shall be managed under the direction of the board of directors. In addition to the powers and authorities by these Bylaws expressly conferred upon them, the board of directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws required to be exercised or done by the stockholders.

Section 3.2 Number, Tenure and Qualifications. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, the number of directors of the Corporation shall be fixed, and may be increased or decreased from time to time, exclusively by the board of directors. The directors shall hold office until their successors are elected and qualified. At each annual meeting of the stockholders of the Corporation, the directors whose term expires at that meeting shall be elected for a term expiring at the next annual meeting of stockholders.

Section 3.3 Regular Meetings. A regular meeting of the board of directors may be held without other notice than this Bylaw immediately after, and at the same place as, the Annual Meeting of Stockholders. The board of directors may, by resolution, provide the time and place for the holding of additional regular meetings without other notice than such resolution.

Section 3.4 Special Meetings. Special meetings of the board of directors may be called at the request of the Chair of the Board, the Chief Executive Officer or the board of directors. The person or persons authorized to call special meetings of the board of directors may fix the place and time of the meetings. Notice of any special meeting shall be given to each director and shall state the time and place for the special meeting.

Section 3.5 Notice. If notice of a board of directors' meeting is required to be given, notice shall be given to each director at his or her business or residence in writing by hand delivery, first-class or overnight mail or courier service, electronic transmission (including, without limitation, via facsimile transmission or electronic mail), or orally by telephone. If mailed by first-class mail, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, no later than the third business day preceding the date of such meeting. If by overnight mail or courier service, such notice shall be deemed adequately delivered when the notice is delivered to the overnight mail or courier service company at least twenty-four hours before such

meeting. If by electronic transmission, such notice shall be deemed adequately delivered when the notice is transmitted at least 12 hours before such meeting. If by telephone or by hand delivery, the notice shall be given at least 12 hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice of such meeting, except for amendments to these Bylaws, as provided under Article IX of these Bylaws. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in accordance with Article VIII of these Bylaws.

Section 3.6 Quorum. Subject to Section 3.9 of these Bylaws, a majority of the board of directors then in office shall constitute a quorum for the transaction of business, but if at any meeting of the board of directors there shall be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors. The directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 3.7 Use of Communications Equipment. Directors may participate in a meeting of the board of directors or any committee thereof by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 3.8 Action by Consent of Board of Directors. Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee.

Section 3.9 Vacancies. Subject to applicable law and the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, and unless the board of directors otherwise determines, vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause, and newly created directorships resulting from any increase in the authorized number of directors, may be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum of the board of directors, or by the sole remaining director, and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders and until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the board of directors shall shorten the term of any incumbent director.

Section 3.10 Committees. The board of directors may designate one or more committees, each of which shall consist of one or more directors. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member.

Any committee shall, to the extent provided in a resolution of the board of directors and subject to the limitations contained in the Delaware General Corporation Law, have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the Corporation. Each committee shall keep such records and report to the board of directors in such manner as the board of directors may from time to time determine. Except as the board of directors may otherwise determine, any committee may make rules for the conduct of its business. Unless otherwise provided in a resolution of the board of directors or in rules adopted by the committee, each committee shall conduct its business as nearly as possible in the same manner as provided in these Bylaws for the board of directors.

The board of directors shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. The term of office of the members of each committee shall be as fixed from time to time by the board of directors; provided, however, that any committee member who ceases to be a member of the board of directors shall automatically cease to be a committee member.

Nothing herein shall be deemed to prevent the board of directors from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the board of directors.

#### **ARTICLE IV** **BOOKS AND RECORDS**

The board of directors shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board and of the stockholders, appropriate stock books and registers and such books of records and accounts

as may be necessary for the proper conduct of the business of the Corporation. Unless otherwise required by the laws of Delaware, the books and records of the Corporation may be kept at the principal office of the Corporation, or at any other place or places inside or outside the State of Delaware, as the board of directors from time to time may designate.

## **ARTICLE V** **OFFICERS**

Section 5.1 **Officers; Election or Appointment**. The board of directors shall take such action as may be necessary from time to time to ensure that the Corporation has such officers as are necessary, under Section 6.1 of these Bylaws and the Delaware General Corporation Law as currently in effect or as the same may hereafter be amended, to enable it to sign stock certificates. In addition, the board of directors at any time and from time to time may elect (a) one or more Chair of the Board and/or one or more Vice Chairs of the Board from among its members, (b) one or more Chief Executive Officers, one or more Presidents and/or one or more Chief Operating Officers, (c) one or more Vice Presidents, one or more Treasurers and/or one or more Secretaries and/or (d) one or more other officers, in each case if and to the extent the board of directors deems desirable. The board of directors may give any officer such further designations or alternate titles as it considers desirable. In addition, the board of directors at any time and from time to time may authorize the Chair of the Board or the Chief Executive Officer of the Corporation to appoint one or more officers of the kind described in clauses (c) and (d) above. Any number of offices may be held by the same person and directors may hold any office unless the Certificate of Incorporation or these Bylaws otherwise provide.

Section 5.2 **Term of Office; Resignation; Removal; Vacancies**. Unless otherwise provided in the resolution of the board of directors electing or authorizing the appointment of any officer, each officer shall hold office until his or her successor is elected or appointed and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the board of directors or to such person or persons as the board of directors may designate. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. The board of directors may remove any officer with or without cause at any time. The Chair of the Board or the Chief Executive Officer authorized by the board of directors to appoint a person to hold an office of the Corporation may also remove such person from such office with or without cause at any time, unless otherwise provided in the resolution of the Board providing such authorization. Any such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation, but the election or appointment of an officer shall not of itself create contractual rights. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled by the board of directors at any regular or special meeting or by the Chair of the Board or the Chief Executive Officer authorized by the board of directors to appoint a person to hold such office.

Section 5.3 **Powers and Duties**. The officers of the Corporation shall have such powers and duties in the management of the Corporation as shall be stated in these Bylaws or in a resolution of the board of directors which is not inconsistent with these Bylaws and, to the extent not so stated, as generally pertain to their respective offices, subject to the control of the board of directors. A Secretary or such other officer appointed to do so by the board of directors shall have the duty to record the proceedings of the meetings of the stockholders, the board of directors and any committees in a book to be kept for that purpose.

## **ARTICLE VI** **STOCK CERTIFICATES**

Section 6.1 **Stock Certificates**. The board of directors may authorize the issuance of stock either in certificated or in uncertificated form. If shares are issued in ~~unc~~certificated form, each stockholder shall be entitled upon written request to a stock certificate or certificates duly numbered, certifying the number and class of shares in the Corporation owned by him and otherwise as specified in this Section 6.1. Each certificate for shares of stock shall be in such form as may be prescribed by the board of directors and shall be signed in the name of the Corporation by (a) the Chair of the Board, the Chief Executive Officer or a Vice President, and (b) by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue. Each certificate will include any legends required by law or deemed necessary or advisable by the board of directors.

Section 6.2 **Lost Certificates**. No certificate for shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of such evidence of such loss, destruction or theft and on delivery to the Corporation of a bond of indemnity in such amount, upon such terms and



secured by such surety, as the board of directors or any financial officer of the Corporation may in its or his or her discretion require.

Section 6.3 Transfers of Stock. The shares of the stock of the Corporation shall be transferable on the books of the Corporation by the holder thereof in a person or by his or her attorney upon surrender for cancellation of a certificate or certificates for at least the same number of shares, or other evidence of ownership if no certificates shall have been issued, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, and with such proof of the validity and authenticity of the signature as the Corporation or its agents may reasonably require.

#### **ARTICLE VII** **DEPOSITARIES AND CHECKS**

Depositaries of the funds of the Corporation shall be designated by the board of directors; and all checks on such funds shall be signed by such officers or other employees of the Corporation as the board of directors from time to time may designate.

#### **ARTICLE VIII** **WAIVER OF NOTICE**

Any notice of a meeting required to be given by law, by the Certificate of Incorporation, or by these Bylaws may be waived by the person entitled thereto, either before or after the time of such meeting stated in such notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders or the board of directors or committee thereof need be specified in any waiver of notice of such meeting.

#### **ARTICLE IX** **AMENDMENT**

These Bylaws may be altered, amended, or repealed at any meeting of the board of directors or of the stockholders, provided notice of the proposed change was given in the notice of the meeting.

#### **ARTICLE X** **INDEMNIFICATION AND INSURANCE**

Section 10.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit, claim or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "*proceeding*"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Corporation, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section 10.4 of this Article X, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors.

Section 10.2 Advancement of Expenses. The right to indemnification conferred in this Article X shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the Corporation within 20 days after receipt by the Corporation of a written statement or statements from the claimant requesting such advance or advances; provided, however, that if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Article X or otherwise.

Section 10.3 Obtaining Indemnification. To obtain indemnification under this Article X, a claimant shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this Section 10.3, a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (1) if requested by the claimant, by Independent Counsel (as hereinafter defined), or (2) if no request is made by the claimant for a determination by Independent Counsel, (i) by the board of directors by a majority vote of a quorum consisting of Disinterested Directors (as hereinafter defined), or (ii) if a quorum of the board of directors consisting of Disinterested Directors is not obtainable or, even if obtainable, such quorum of Disinterested Directors so directs, by Independent Counsel in a written opinion to the board of directors, a copy of which shall be delivered to the claimant, or (iii) if a quorum of Disinterested Directors so directs, by the stockholders of the Corporation. In the event the determination of entitlement to indemnification is to be made by Independent Counsel at the request of the claimant, the Independent Counsel shall be selected by the board of directors unless there shall have occurred within two years prior to the date of the commencement of the action, suit or proceeding for which indemnification is claimed a Change in Control (as defined below), in which case the Independent Counsel shall be selected by the claimant unless the claimant shall request that such selection be made by the board of directors. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within 30 days after such determination. If a claimant is successful, in whole or in part, in any suit brought against the Corporation to recover the unpaid amount of any written claim to indemnification, the claimant shall be entitled to be paid also the expense of prosecuting such claim.

Section 10.4 Right of Claimant to Bring Suit. If a claim under Section 10.1 of this Article X is not paid in full by the Corporation within thirty days after a written claim pursuant to Section 10.3 of this Article X has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its board of directors, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its board of directors, Independent Counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 10.5 Corporation's Obligation to Indemnify. If a determination shall have been made pursuant to Section 10.3 of this Article X that the claimant is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to Section 10.4 of this Article X.

Section 10.6 Preclusion from Challenging Article X. The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to Section 10.4 of this Article X that the procedures and presumptions of this Article X are not valid, binding and enforceable and shall stipulate in such proceeding that the Corporation is bound by all the provisions of this Article X.

For purposes of this Article X:

(a) "*Change in Control*" shall be deemed to occur only if a majority of the members of the board of directors shall not be (i) individuals elected as directors of the Corporation for whose election proxies shall have been solicited by the board of directors of the Corporation or (ii) individuals elected or appointed by the board of directors of the Corporation to fill vacancies on the board of directors caused by death or resignation (but not by removal) or to fill newly created directorships.

(b) "*Disinterested Director*" means a director of the Corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(c) "*Independent Counsel*" means a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporation law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Corporation or the claimant in an action to determine the claimant's rights under this Article X.

Section 10.7 Non-exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article X shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or otherwise. No repeal or modification of this Article X shall in any way diminish or adversely affect the rights of any director, officer, employee or agent of the Corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

Section 10.8 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law. To the extent that the Corporation maintains any policy or policies providing such insurance, each such director or officer, and each such agent or employee to which rights to indemnification have been granted as provided in Section 10.9 of this Article X, shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such director, officer, employee or agent.

Section 10.9 Other Employees and Agents. The Corporation may, to the extent authorized from time to time by the board of directors, grant rights to indemnification, and rights to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent or class of employees or agents of the Corporation (including the heirs, executors, administrators or estate of each such person) to the fullest extent of the provisions of this Article X with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

Section 10.10 Validity of Article X. If any provision or provisions of this Article X shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Article X (including, without limitation, each portion of any paragraph of this Article X containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Article X (including, without limitation, each such portion of any paragraph of this Article X containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

## **ARTICLE XI** **MISCELLANEOUS PROVISIONS**

Section 11.1 Fiscal Year. The fiscal year of the Corporation shall be as fixed by the board of directors.

Section 11.2 Dividends. The board of directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and the Certificate of Incorporation.

SPS COMMERCE, INC.

**Non-Statutory Stock Option Agreement**  
**Under the 2010 Equity Incentive Plan (Employee)**

SPS Commerce, Inc. (the "Company"), pursuant to its 2010 Equity Incentive Plan (the "Plan"), hereby grants an Option to purchase shares of the Company's common stock to you, the Optionee named below. The terms and conditions of the Option Award are set forth in this Agreement, consisting of this cover page and the Option Terms and Conditions on the following pages, and in the Plan document which is attached.

Name of Optionee: \*\*[ ]

No. of Shares Covered: \*\*[ ]

Date of Grant: , 20

Exercise Price Per Share: \$\*\*[ ]

Expiration Date: , 20

Vesting and Exercise Schedule:

Dates

Portion of Shares as to Which  
Option Becomes Vested and Exercisable

By signing below, you agree to all of the terms and conditions contained in this Agreement and in the Plan document, a copy of which is attached. You acknowledge that you have reviewed these documents and that they set forth the entire agreement between you and the Company regarding your right to purchase shares of the Company's common stock pursuant to this Option.

OPTIONEE:

SPS COMMERCE, INC.

\_\_\_\_\_

By:

Title:

**SPS Commerce, Inc.  
2010 Equity Incentive Plan  
Non-Statutory Stock Option Agreement**

**Option Terms and Conditions\***

1. **Non-Qualified Stock Option.** This Option is not intended to be an “incentive stock option” within the meaning of Section 422 of the Internal Revenue Code and will be interpreted accordingly.
2. **Vesting and Exercise Schedule.** This Option will vest and become exercisable as to the number of Shares and on the dates specified in the Vesting and Exercise Schedule on the cover page to this Agreement, so long as your Service to the Company does not end. The Vesting and Exercise Schedule is cumulative, meaning that to the extent the Option has not already been exercised and has not expired, terminated or been cancelled, you or the person otherwise entitled to exercise the Option as provided in this Agreement may at any time purchase all or any portion of the Shares that may then be purchased under that Schedule.

\*\*[Notwithstanding the foregoing, if and to the extent this Option is continued, assumed or replaced in connection with a Change in Control that constitutes a Corporate Transaction as provided in Section 12(b)(1) of the Plan, and if within one year after such Corporate Transaction you experience an involuntary termination of Service for reasons other than Cause, then this Option shall immediately become exercisable in full and shall remain exercisable for one year following your termination of Service.]

Notwithstanding the foregoing:

(a) This Option shall become 100% vested and fully exercisable, effective as of the date of your Retirement, in the event that (A) your continuous Service terminates by reason of your Retirement and (B) the Company does not provide you with written notice on or before the anticipated Retirement date that the Company intends or has grounds to terminate your continuous Service for Cause.

(b) The accelerated vesting and exercisability of this Option upon your Retirement will be conditioned on (A) your timely execution (and non-rescission) of a Release, and (B) your continued compliance with your obligations under the Confidentiality Agreement. Notwithstanding anything to the contrary in this Agreement, if you breach any provision of the Confidentiality Agreement, whether before or after your Retirement, then you shall immediately forfeit all outstanding Options and any right to exercise the Options.

(c) Definitions.

- I. “Confidentiality Agreement” means the At Will/ Confidentiality Agreement Regarding Certain Terms and Conditions of Employment.
- II. “Release” means a standard release of claims in the form provided by the Company at the time of Retirement, which must be executed and become irrevocable within forty-five (45) days following the date of Retirement. If you do not timely execute and deliver the Release to the Company, or if you subsequently revoke the Release, then you will automatically forfeit the unvested portion of this Option effective as of the date of Retirement.
- III. You will be considered to incur a “Retirement” if you voluntarily terminate Service and meet all of the following requirements at the time or such termination: (A) you are at least fifty-eight (58) years old and have completed ten (10) years of continuous Service with the Company or you are at least sixty-five (65) years old (without regard to years of Service); (B) you have provided the Company not less than six (6) months prior written notice of your intent to retire; (C) you continue to perform full-time Service for the Company (i) materially consistent with your full-time responsibilities and services, performed prior to the date on which you provided written notice of your Retirement, or (ii) such other substantive services as agreed upon between you and the Company, in either case through the date of your termination of Service; (D) the date of your termination of Service occurs on the retirement date that you have previously identified (and such termination date is no less than six (6) months after the date on which you provided written notice of Retirement); provided, however, the Company may in its sole discretion designate a termination of Service date that is after the date on which you provide written notice of your intent to retire to the Company and prior to the retirement date identified by you; and (E) the Company does not provide you with written notice on or before the anticipated Retirement date that the Company intends or has grounds to terminate your continuous Service for Cause.

In addition, vesting and exercisability of this Option may be accelerated during the term of the Option under the circumstances described in Sections 12(b)(2) and 12(c) of the Plan, and at the discretion of the Committee in accordance with Section 3(b)(2) of the Plan.

3. **Expiration.** This Option will expire and will no longer be exercisable at 5:00 p.m. Central Time on the earliest of:
- (a) The expiration date specified on the cover page of this Agreement;
  - (b) Upon your termination of Service for Cause;
  - (c) Upon the expiration of any applicable period specified in Section 6(e) of the Plan or Section 2 of this Agreement during which this Option may be exercised after your termination of Service; or
  - (d) The date (if any) fixed for termination or surrender of this Option pursuant to Sections 12(b)(2), 12(b)(3), 12(c) or 12(d) of the Plan.
4. **Service Requirement.** Except as otherwise provided in Section 6(e) of the Plan or Section 2 of this Agreement, this Option may be exercised only while you continue to provide Service to the Company or any Affiliate, and only if you have continuously provided such Service since the date this Option was granted.
- \* Unless the context indicates otherwise, terms that are not defined in this Agreement shall have the meaning set forth in the Plan as it currently exists or as it is amended in the future.
5. **Exercise of Option.** Subject to Section 4, the vested and exercisable portion of this Option may be exercised at any time during the Option term by delivering a written notice of exercise to the Company at its principal executive office, and by providing for payment of the exercise price of the Shares being acquired and any related withholding taxes. The notice of exercise, in the form attached to this Agreement, shall be provided to the Company's Chief Financial Officer. The notice shall state the number of Shares to be purchased, and shall be signed by the person exercising the Option. If you are not the person exercising the Option, the person submitting the notice also must submit appropriate proof of his/her right to exercise the Option.
6. **Payment of Exercise Price.** When you submit your notice of exercise, you must include payment of the exercise price of the Shares being purchased through one or a combination of the following methods:
- (a) Cash (including personal check, cashier's check or money order);
  - (b) To the extent permitted by the Committee, by means of a broker-assisted cashless exercise in which you irrevocably instruct your broker to deliver proceeds of a sale of all or a portion of the Shares to be issued pursuant to the exercise to the Company in payment of the exercise price of such Shares; or
  - (c) By delivery to the Company of Shares (by actual delivery or attestation of ownership in a form approved by the Company) already owned by you that are not subject to any security interest and that have an aggregate Fair Market Value on the date of exercise equal to the exercise price of the Shares being purchased; or
  - (d) By authorizing the Company to retain, from the total number of Shares as to which the Option is being exercised, that number of Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to which the Option is being exercised.

However, if the Committee determines, in any given circumstance, that payment of the exercise price with Shares or by authorizing the Company to retain Shares is undesirable for any reason, you will not be permitted to pay any portion of the exercise price in that manner.

7. **Withholding Taxes.** You may not exercise this Option in whole or in part unless you make arrangements acceptable to the Company for payment of any federal, state, local or foreign withholding taxes that may be due as a result of the exercise of this Option. You hereby authorize the Company (or any Affiliate) to withhold from payroll or other amounts payable to you any sums required to satisfy such withholding tax obligations, and otherwise agree to satisfy such obligations in accordance with the provisions of Section 14 of the Plan. If you wish to satisfy some or all of such withholding tax obligations by delivering Shares you already own or by having the Company retain a portion of the Shares being acquired upon exercise of the Option, you must make such a request which shall be subject to approval by the Company. Delivery of Shares upon exercise of this Option is subject to the satisfaction of applicable withholding tax obligations.
8. **Delivery of Shares.** As soon as practicable after the Company receives the notice and exercise price provided for above, and has determined that all conditions to exercise, including Sections 7 and 9 of this Agreement, have been satisfied, it shall deliver to the person exercising the Option, in the name of such person, the Shares being purchased, as evidenced by issuance of a stock certificate or certificates, electronic delivery of such Shares to a brokerage account designated by such person, or book-entry registration of such Shares with the Company's transfer agent. The Company shall pay any original issue or transfer taxes with respect to the issue or transfer of the Shares and all fees and expenses incurred by it in connection therewith. All Shares so issued shall be fully paid and nonassessable.
9. **Compliance with Laws.** This Option may be exercised only if the issuance of Shares upon such exercise complies with all applicable legal requirements, including compliance with the provisions of applicable federal and state securities laws.
10. **Transfer of Option.** During your lifetime, only you (or your guardian or legal representative in the event of legal incapacity) may exercise this Option except in the case of a transfer described below. You may not assign or transfer this Option except (i) for a transfer upon your death in accordance with your will, by the laws of descent and distribution or pursuant to a beneficiary designation submitted in accordance with Section 6(d) of the Plan, (ii) pursuant to a qualified domestic relations order, or (iii) with the prior written approval of the Company, by gift, in a form accepted by the Company, to a permitted transferee under General Instruction A(5) to Form S-8 under the Securities Act. The Option held by any such transferee will continue to be subject to the same terms and conditions that were applicable to the Option immediately prior to its transfer and may be exercised by such transferee as and to the extent that the Option has become exercisable and has not terminated in accordance with the provisions of the Plan and this Agreement.
11. **No Stockholder Rights Before Exercise.** Neither you nor any permitted transferee of this Option will have any of the rights of a stockholder of the Company with respect to any Shares subject to this Option until a certificate evidencing such Shares has been issued, electronic delivery of such Shares has been made to your designated brokerage account, or an appropriate book entry in the Company's stock register has been made. No adjustments shall be made for dividends or other rights if the applicable record date occurs before your stock certificate has been issued, electronic delivery of your Shares has been made to your designated brokerage account, or an appropriate book entry in the Company's stock register has been made, except as otherwise described in the Plan.
12. **Governing Plan Document.** This Agreement and Option are subject to all the provisions of the Plan, and to all interpretations, rules and regulations which may, from time to time, be adopted and promulgated by the Committee pursuant to the Plan. If there is any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan will govern.
13. **Choice of Law.** This Agreement will be interpreted and enforced under the laws of the state of Delaware (without regard to its conflicts or choice of law principles).
14. **Binding Effect.** This Agreement will be binding in all respects on your heirs, representatives, successors and assigns, and on the successors and assigns of the Company.
15. **Other Agreements.** You agree that in connection with the exercise of this Option, you will execute such documents as may be necessary to become a party to any stockholder, voting or similar agreements as the Company may require.

16. **Restrictive Legends.** The Company may place a legend or legends on any certificate representing Shares issued upon the exercise of this Option summarizing transfer and other restrictions to which the Shares may be subject under applicable securities laws, other provisions of this Agreement, or other agreements contemplated by Section 15 of this Agreement. You agree that in order to ensure compliance with the restrictions referred to in this Agreement, the Company may issue appropriate “stop transfer” instructions to its transfer agent.

***By signing the cover page of this Agreement, you agree to all the terms and conditions described above and in the Plan document.***



**NOTICE OF EXERCISE  
Non-Statutory Stock Option**

, 20

SPS Commerce, Inc.  
333 South Seventh Street, Suite 1000  
Minneapolis, Minnesota 55402  
Attention: Chief Financial Officer

Ladies and Gentlemen:

I hereby exercise the following option (the "Option") granted to me under the SPS Commerce, Inc. 2010 Equity Incentive Plan (as amended from time to time, the "Plan") with respect to the number of shares of common stock of SPS Commerce, Inc. (the "Company") indicated below:

**Name:** \_\_\_\_\_

**Date of Grant of Option:** \_\_\_\_\_

**Exercise Price Per Share:** \_\_\_\_\_

**Number of Shares With Respect to Which the Option is Hereby Exercised:** \_\_\_\_\_

**Total Exercise Price:** \_\_\_\_\_

- Enclosed with this Notice is a check, cashier's check or money order in the amount of the Total Exercise Price.
- Enclosed with this Notice is a copy of my irrevocable instruction to my broker, , to deliver to the Company proceeds of the sale of some or all of the Shares being acquired in an amount equal to the Total Exercise Price.
- Enclosed with this Notice is a certificate evidencing unencumbered Shares (duly endorsed in blank) having an aggregate Fair Market Value (as defined in the Plan) equal to or in excess of the Total Exercise Price or an affidavit of ownership in the form of Exhibit A attached hereto attesting to my ownership of unencumbered Shares having an aggregate Fair Market Value (as defined in the Plan) equal to or in excess of the Total Exercise Price.
- I elect to pay the Total Exercise Price through a reduction in the number of Shares to be delivered to me upon this exercise of the Option.

In connection with this exercise, I represent, warrant and acknowledge as follows:

- I will provide for the payment to the Company, in a manner agreed to by the Company, of the amount of any required withholding taxes in connection with this exercise as provided in Section 14 of the Plan.
- I am the owner of all Shares delivered with this Notice or attested to on the attached affidavit of ownership, free and clear of all liens, security interests and other restrictions or encumbrances.

Please issue the number of Shares with respect to which the Option is being exercised (or the net number of Shares if the Total Exercise Price and/or applicable withholding taxes are being paid through a reduction in the number of Shares to be delivered to me) in the manner indicated below:

- Issue a certificate (the "Certificate") for the Shares in the name of the person(s) indicated below and deliver the Certificate to the address indicated:

**Name(s) in Which to Issue Certificate:**

\_\_\_\_\_

**Address to Which Certificate Should be Delivered:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Principal Mailing Address for Holder of the Certificate (if different from above):**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- Electronic delivery of the Shares to my brokerage account as indicated below:

**Name of Brokerage Firm:**

\_\_\_\_\_

**My Account Number:**

\_\_\_\_\_

**Brokerage Firm DWAC Participant Number:**

\_\_\_\_\_

- Create a book-entry registration of the Shares in the name of the person(s) indicated below:

**Name(s) in Which to Create Book-Entry Registration:**

\_\_\_\_\_

**Mailing Address for Book-Entry Holders:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Very truly yours,  
Signature  
Name, please print  
Social Security Number

**Affidavit of Ownership of  
SPS Commerce, Inc. Common Stock**

Pursuant to the Notice of Exercise that I have submitted to SPS Commerce, Inc. (the “*Company*”), I am electing to pay (select one or both)

- the Total Exercise Price for the option shares
  
- federal income tax withholding in excess of the minimum required withholding amount

by attesting to ownership of the shares listed below and hereby tender for accounting purposes such shares in payment thereof. I hereby certify that:

1. I beneficially own shares of Company common stock (the “*Swap Shares*”) as of the date hereof. These Swap Shares are:

- Held in my name individually and a photocopy of the stock certificate evidencing my ownership is attached.
- Held in my name and as joint tenants and a photocopy of the stock certificate evidencing ownership is attached.
- Held in a brokerage account in the name of . A photocopy of a brokerage statement of account, dated within the preceding two months and showing evidence of ownership of Company stock, is attached. (The option holder may block out information not relevant to Company stock ownership on the account statement.)

2. The Swap Shares are held by me as described above and are not held for my benefit by a Trustee or custodian in the SPS Commerce, Inc. 401(k) Retirement Savings Plan, in an IRA account or in any other type of employee benefit or tax deferral plan.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

**SPS COMMERCE, INC.  
2010 EQUITY INCENTIVE PLAN**

**Restricted Stock Unit Award Agreement**

SPS Commerce, Inc. (the "Company"), pursuant to its 2010 Equity Incentive Plan (the "Plan"), hereby grants an award of restricted stock units ("Units") to you, the Participant named below. The terms and conditions of this restricted stock unit Award are set forth in this Restricted Stock Unit Award Agreement (the "Agreement"), consisting of this cover page and the Terms and Conditions on the following pages, and in the Plan document which is attached. To the extent any capitalized term used in this Agreement is not defined, it shall have the meaning assigned to it in the Plan as it currently exists or as it is amended in the future.

Name of Participant: **[_____]	
Number of Units: **[_____]	Grant Date: _____, 20__
Vesting Schedule:	
<u>Vesting Dates</u>	<u>Number of Units that Vest</u>

By signing below, you agree to all of the terms and conditions contained in this Agreement and in the Plan document. You acknowledge that you have reviewed these documents and that they set forth the entire agreement between you and the Company regarding the grant to you of the number of Units specified in the table above.

PARTICIPANT: SPS COMMERCE, INC.

\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_

**SPS Commerce, Inc.**  
**2010 Equity Incentive Plan**  
**Restricted Stock Unit Award Agreement**

**Terms and Conditions**

1. **Grant of Restricted Stock Units.** The Company hereby grants to you, subject to the terms and conditions in this Agreement and the Plan, an Award of the number of Units specified on the cover page of this Agreement, each representing the right to receive one Share of the Company's common stock. The Units granted to you will be credited to an account in your name maintained by the Company. This account shall be unfunded and maintained for book-keeping purposes only, with the Units simply representing an unfunded and unsecured obligation of the Company.
2. **Restrictions on Units.** Neither this Award nor the Units subject to this Award may be sold, assigned, transferred, exchanged or encumbered other than by will or the laws of descent and distribution. Any attempted transfer in violation of this Section 2 shall be of no effect and shall result in the forfeiture of all Units. The Units and your right to receive Shares in settlement of the Units under this Agreement shall be subject to forfeiture as provided in Section 4 until satisfaction of the vesting conditions set forth in Section 3.
3. **Vesting of Units.**
  - (a) **Scheduled Vesting.** If you remain a Service Provider to the Company or any of its Affiliates continuously from the Grant Date specified on the cover page of this Agreement, then the Units will vest in the numbers and on the dates specified in the Vesting Schedule on the cover page of this Agreement.
  - (b) **Accelerated Vesting.**
    - 1) **Change in Control.** Notwithstanding Section 3(a), if and to the extent this Award is continued, assumed or replaced in connection with a Change in Control that constitutes a Corporate Transaction as provided in Section 12(b)(1) of the Plan, and if within one year after the Corporate Transaction you experience an involuntary termination of Service for reasons other than Cause, then this Award shall immediately become vested in full. Vesting of the Units may be accelerated during the term of the Award under the circumstances described in Sections 12(b)(2) and 12(c) of the Plan, and at the discretion of the Committee in accordance with Section 3(b)(2) of the Plan.
    - 2) **Retirement.**
      - i. All Units not yet vested shall become 100% vested, effective as of the date of your Retirement, in the event that (A) your continuous Service terminates by reason of your Retirement and (B) the Company does not provide you with written notice on or before the anticipated Retirement date that the Company intends or has grounds to terminate your continuous Service for Cause.
      - ii. The accelerated vesting of Units under this Section 3(b)(2) upon your Retirement will be conditioned on (A) your timely execution (and non-rescission) of a Release, and (B) your continued compliance with your obligations under the Confidentiality Agreement. Notwithstanding anything to the contrary in this Agreement, if you breach any provision of

the Confidentiality Agreement, whether before or after your Retirement, then (A) you shall immediately forfeit all outstanding Units and any right to receive shares thereunder, and (B) with respect to Shares that have been issued pursuant to this Award, you shall either (A) return such Shares to the Company or (B) pay to the Company in cash an amount equal to the fair market value of the shares as of the date that the receipt of such shares became taxable to you.

iii. Definitions.

- I. "Confidentiality Agreement" means the At Will/ Confidentiality Agreement Regarding Certain Terms and Conditions of Employment.
- II. "Release" means a standard release of claims in the form provided by the Company at the time of Retirement, which must be executed and become irrevocable within forty-five (45) days following the date of Retirement. If you do not timely execute and deliver the Release to the Company, or if you subsequently revoke the Release, then you will automatically forfeit the unvested Units covered by this Award effective as of the date of Retirement.
- III. You will be considered to incur a "Retirement" if you voluntarily terminate Service and meet all of the following requirements at the time or such termination: (A) you are at least fifty-eight (58) years old and have completed ten (10) years of continuous Service with the Company or you are at least sixty-five (65) years old (without regard to years of Service); (B) you have provided the Company not less than six (6) months prior written notice of your intent to retire; (C) you continue to perform full-time Service for the Company (I) materially consistent with your full-time responsibilities and services, performed prior to the date on which you provided written notice of your Retirement, or (II) such other substantive services as agreed upon between you and the Company, in either case through the date of your termination of Service; (D) the date of your termination of Service occurs on the retirement date that you have previously identified (and such termination date is no less than six (6) months after the date on which you provided written notice of Retirement); provided, however, the Company may in its sole discretion designate a termination of Service date that is after the date on which you provide written notice of your intent to retire to the Company and prior to the retirement date identified by you; and (E) the Company does not provide you with written notice on or before the anticipated Retirement date that the Company intends or has grounds to terminate your continuous Service for Cause.

4. **Effect of Termination of Employment.** Except as otherwise provided in accordance with Section 3(b), if you cease to be a Service Provider prior to the Vesting Date(s) specified on the cover page of this Agreement, you will forfeit all unvested Units.
5. **Settlement of Units.** After any Units vest pursuant to Section 3(a) or (b)(1), the Company shall, no later than March 15 of the year following the calendar year in which such Units vest, cause to be issued and delivered to you, or to your designated beneficiary or estate in the event of your death, one Share in payment and settlement of each vested Unit. After any

Units vest pursuant to Section 3(b)(2), and subject to Section (3)(b)(2)(ii), the Company shall, on or prior to the later of (i) March 15 of the year following the calendar year of your Retirement, or (ii) sixty (60) days following the date of your Retirement, cause to be issued and delivered to you, or to your designated beneficiary or estate in the event of your death, one Share in payment and settlement of each vested Unit. Delivery of the shares shall be effected by the issuance of a stock certificate to you, by an appropriate entry in the stock register maintained by the Company's transfer agent with a notice of issuance provided to you, or by the electronic delivery of the shares to a brokerage account you designate, and shall be subject to the tax withholding provisions of Section 6 and compliance with all applicable legal requirements, including compliance with the requirements of applicable federal and state securities laws, and shall be in complete satisfaction and settlement of such vested Units.

6. **Tax Consequences and Withholding.** As a condition precedent to the delivery of Shares in settlement of the Units, you are required to pay to the Company, in accordance with Section 14 of the Plan, the amount of any required domestic or foreign tax withholding obligations, including any social security or social insurance obligation ("Tax Withholding Obligations"). You hereby authorize the Company to withhold from payroll or other amounts payable to you any sums required to satisfy such Tax Withholding Obligations. Prior to each Vesting Date, you must make arrangements acceptable to the Company for payment of any Tax Withholding Obligations, which may include to the extent permitted by the Company (i) delivering Shares you already own or having the Company retain a portion of the Shares that would otherwise be delivered to you, in either case with an aggregate Fair Market Value equal to the minimum required amount of Tax Withholding Obligations, or (ii) the establishment of a "10b5-1 Plan" pursuant to which a brokerage firm acceptable to the Company is authorized to sell on your behalf in the open market at the then prevailing market price(s) as soon as practicable on or after the applicable Unit vesting date the minimum whole number of Shares from the Shares issuable to you in settlement of the vested Units as is determined to be sufficient to generate cash proceeds adequate to satisfy such Tax Withholding Obligations.
7. **No Shareholder Rights.** The Units subject to this Award do not entitle you to any rights of a shareholder of the Company's common stock. You will not have any of the rights of a shareholder of the Company in connection with the grant of Units subject to this Agreement unless and until Shares are issued to you upon settlement of the Units as provided in Section 5.
8. **Governing Plan Document.** This Agreement and the Award are subject to all the provisions of the Plan, and to all interpretations, rules and regulations which may, from time to time, be adopted and promulgated by the Committee pursuant to the Plan. If there is any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan will govern.
9. **Choice of Law.** This Agreement will be interpreted and enforced under the laws of the state of Minnesota (without regard to its conflicts or choice of law principles).
10. **Binding Effect.** This Agreement will be binding in all respects on your heirs, representatives, successors and assigns, and on the successors and assigns of the Company.
11. **Discontinuance of Service.** This Agreement does not give you a right to continued Service with the Company or any Affiliate, and the Company or any such Affiliate may terminate your Service at any time and otherwise deal with you without regard to the effect it may have upon you under this Agreement.
12. **Section 409A of the Code.** The award of Units as provided in this Agreement and any issuance of Shares or payment pursuant to this Agreement are intended to be exempt from

Section 409A of the Code under the short-term deferral exception specified in Treas. Reg. § 1.409A-1(b)(4).

13. **Compensation Recovery Policy.** To the extent that any compensation paid or payable pursuant to this Agreement is considered “incentive-based compensation” within the meaning and subject to the requirements of Section 10D of the Exchange Act, such compensation shall be subject to potential forfeiture or recovery by the Company in accordance with any compensation recovery policy adopted by the Board of Directors of the Company or any committee thereof in response to the requirements of Section 10D of the Exchange Act and any implementing rules and regulations thereunder adopted by the Securities and Exchange Commission or any national securities exchange on which the Company’s common stock is then listed. This Agreement may be unilaterally amended by the Company to comply with any such compensation recovery policy.

***By signing the cover page of this Agreement, you agree to all the terms and conditions described above and in the Plan document.***



SPS COMMERCE, INC.  
2010 EQUITY INCENTIVE PLAN

Performance Stock Unit Agreement

SPS Commerce, Inc. (the "Company"), pursuant to its 2010 Equity Incentive Plan, as amended (the "Plan"), hereby grants to you, the Participant named below, an award of Performance Stock Units (the "PSUs"). The terms and conditions of this Performance Stock Unit Award (this "Award") are set forth in this Performance Stock Unit Agreement (the "Agreement"), consisting of this cover page, the Award Terms and Conditions on the following pages and the attached Exhibit A, and in the Plan document, a copy of which has been provided to you. To the extent any capitalized term used in this Agreement is not defined, it shall have the meaning assigned to it in the Plan as it currently exists or as it is amended in the future.

Name of Participant:	
Target Number of PSUs:	
Maximum Number of PSUs:	
Grant Date:	
Performance Period:	January 1, 20__ – December 31, 20__
Vesting Schedule:	The number of PSUs determined in accordance with Exhibit A to have been earned as of the end of the Performance Period will vest* on the date the Company's Compensation Committee certifies such performance results, which shall be no later than March 15, 20__.
Performance Goals:	See Exhibit A
* Assumes your Service has been continuous from the Grant Date to the vesting date.	

By signing or otherwise authenticating this cover page, you agree to all of the terms and conditions contained in this Agreement and in the Plan document. You acknowledge that you have received and reviewed these documents and that they set forth the entire agreement between you and the Company regarding this Award.

PARTICIPANT:                 SPS COMMERCE, INC.

\_\_\_\_\_ By: \_\_\_\_\_  
                  Title: \_\_\_\_\_

**SPS Commerce, Inc.**  
**2010 Equity Incentive Plan, as amended**  
**Performance Stock Unit Agreement**

**Award Terms and Conditions**

1. **Award of Performance Stock Units.** The Company hereby confirms the grant to you, as of the Grant Date and subject to the terms and conditions of this Agreement and the Plan, of an award of Performance Stock Units in an amount initially equal to the Target Number of PSUs specified on the cover page of this Agreement. The number of PSUs that may actually be earned and become eligible to vest pursuant to this Award can be between 0% and 200% of the Target Number of PSUs, but may not under any circumstances exceed the Maximum Number of PSUs specified on the cover page of this Agreement. Each PSU that is earned as a result of the performance goals specified in Exhibit A to this Agreement having been satisfied and which thereafter vests represents the right to receive one Share of the Company's common stock. Prior to their settlement or forfeiture in accordance with the terms of this Agreement, the PSUs granted to you will be credited to an account in your name maintained by the Company. This account will be unfunded and maintained for book-keeping purposes only, with the PSUs simply representing an unfunded and unsecured contingent obligation of the Company.
2. **Restrictions Applicable to PSUs.** Neither this Award nor the PSUs subject to this Award may be sold, assigned, transferred, exchanged or encumbered, voluntarily or involuntarily, other than a transfer upon your death in accordance with your will, by the laws of descent and distribution or pursuant to a beneficiary designation submitted in accordance with Section 6(d) of the Plan. Following any such transfer, the PSUs shall continue to be subject to the same terms and conditions that were applicable to the PSUs immediately prior to their transfer. Any attempted transfer in violation of this Section 2 shall be void and ineffective. The PSUs and your right to receive Shares in settlement of any PSUs under this Agreement shall be subject to forfeiture except to the extent the PSUs have been earned and thereafter vest as provided in Sections 4 and 5.
3. **No Shareholder Rights.** The PSUs subject to this Award do not entitle you to any rights of a shareholder of the Company's common stock. You will not have any of the rights of a shareholder of the Company in connection with any PSUs granted or earned pursuant to this Agreement unless and until Shares are issued to you in settlement of earned and vested PSUs as provided in Section 6.
4. **Vesting and Forfeiture of PSUs.** The PSUs shall vest at the earliest of the following times and to the degree specified.
  - (a) *Scheduled Vesting.* The number of PSUs that have been earned during the Performance Period, as determined by the Committee in accordance with Exhibit A, will vest on the Scheduled Vesting Date, so long as your Service has been continuous from the Grant Date to the Scheduled Vesting Date. For these purposes, the "Scheduled Vesting Date" means the date the Committee certifies (i) the degree to which the performance goal for the Performance Period has been satisfied, and (ii) the number of PSUs that have been earned during the Performance Period as determined in accordance Exhibit A, which certification shall occur no later than March 15 of the calendar year immediately following the calendar year during which the Performance Period ended.
  - (b) *Change in Control.* If a Change in Control occurs after the Grant Date but before the Scheduled Vesting Date and your Service continues to the date of the Change in Control, then the Performance Period will be truncated and will end as of the end of the Company's most recently completed fiscal quarter prior to the date of the Change in Control. You will be entitled to have vest as of the date of the Change in Control the number of PSUs that are determined to have been earned based on actual performance against the performance goal specified in Exhibit A over the truncated Performance Period. You acknowledge and agree that with respect to any employment or severance agreement between you and the Company, the number of PSUs subject to accelerated vesting pursuant to this Section 4(b) shall conclusively be deemed 100% of the unvested PSUs subject to this Award.
  - (c) *Retirement.*

- i. If your employment terminates prior to the Scheduled Vesting Date due to Retirement, the requirement for continuous Service set forth in Section 4(a) shall be deemed satisfied through the Scheduled Vesting Date. You will be entitled to have vest, on the Scheduled Vesting Date, the number of PSUs that are determined to have been earned based on actual performance against the performance goal specified in Exhibit A over the Performance Period.
- ii. The accelerated vesting of PSUs under this Section 4(c) upon your Retirement will be conditioned on (A) your timely execution (and non-rescission) of a Release, and (B) your continued compliance with your obligations under the Confidentiality Agreement. Notwithstanding anything to the contrary in this Agreement, if you breach any provision of the Confidentiality Agreement, whether before or after your Retirement, then (A) you shall immediately forfeit all outstanding PSUs and any right to receive shares thereunder, and (B) with respect to Shares that have been issued pursuant to this Award, you shall either (A) return such Shares to the Company or (B) pay to the Company in cash an amount equal to the fair market value of the shares as of the date that the receipt of such shares became taxable to you.
- iii. Definitions.
  1. “Confidentiality Agreement” means the At Will/ Confidentiality Agreement Regarding Certain Terms and Conditions of Employment.
  2. “Release” means a standard release of claims in the form provided by the Company at the time of Retirement, which must be executed and become irrevocable within forty-five (45) days following the date of Retirement. If you do not timely execute and deliver the Release to the Company, or if you subsequently revoke the Release, then you will automatically forfeit all PSUs covered by this Award which otherwise would have vested pursuant to this Section 4(c) effective as of the date of Retirement.
  3. You will be considered to incur a “Retirement” if you voluntarily terminate Service and meet all of the following requirements at the time or such termination: (A) you are at least fifty-eight (58) years old and have completed ten (10) years of continuous Service with the Company or you are at least sixty-five (65) years old (without regard to years of Service); (B) you have provided the Company not less than six (6) months prior written notice of your intent to retire; (C) you continue to perform full-time Service for the Company (I) materially consistent with your full-time responsibilities and services, performed prior to the date on which you provided written notice of your Retirement, or (II) such other substantive services as agreed upon between you and the Company, in either case through the date of your termination of Service; (D) the date of your termination of Service occurs on the retirement date that you have previously identified (and such termination date is no less than six (6) months after the date on which you provided written notice of Retirement); provided, however, the Company may in its sole discretion designate a termination of Service date that is after the date on which you provide written notice of your intent to retire to the Company and prior to the retirement date identified by you; and (E) the Company does not provide you with written notice on or before the anticipated Retirement date that the Company intends or has grounds to terminate your continuous Service for Cause.]

(d) *Forfeiture of Unvested PSUs.* To the extent Sections 4(a) or 4(b) is applicable to this Award, any PSUs that do not vest on the applicable vesting date as provided therein shall immediately be forfeited. If your Service terminates prior to the Scheduled Vesting Date under circumstances other than as set forth in Section 4(b) or 4(c), all unvested PSUs shall immediately be forfeited.

5. **Settlement of PSUs.** As soon as practicable after any Vesting Date, but no later than 75 days thereafter, the Company shall cause to be issued to you (or your beneficiary or personal representative) one Share in payment and settlement of each vested PSU. Delivery of the Shares shall be effected by the issuance of a stock certificate to you, by an appropriate entry in the stock register maintained by the Company's transfer agent with a notice of issuance provided to you, or by the electronic delivery of the shares to a brokerage account you designate, and shall be subject to the tax withholding provisions of Section 6 and compliance with all applicable legal requirements, including compliance with the requirements of applicable federal and state securities laws, and shall be in complete satisfaction and settlement of such vested PSUs.

6. **Tax Consequences and Withholding.** As a condition precedent to the delivery of Shares in settlement of the PSUs, you are required to pay to the Company, in accordance with Section 14 of the Plan, the amount of any required domestic or foreign tax withholding obligations, including any social security or social insurance obligations ("**Tax Withholding Obligations**"). You hereby authorize the Company to withhold from payroll or other amounts payable to you any sums required to satisfy such Tax Withholding Obligations. Prior to the Vesting Date, you must make arrangements acceptable to the Company for payment of any Tax Withholding Obligations, which may include (i) delivering Shares you already own or having the Company retain a portion of the Shares that would otherwise be delivered to you, in either case with an aggregate Fair Market Value equal to the required amount of the Tax Withholding Obligations, or (ii) establishing a "10b5-1 Plan" pursuant to which a brokerage firm acceptable to the Company is authorized to sell on your behalf in the open market at the then prevailing market price(s) as soon as practicable on or after the Vesting Date the minimum whole number of Shares from the Shares issuable to you in settlement of the vested PSUs as is determined to be sufficient to generate cash proceeds adequate to satisfy such Tax Withholding Obligations.

7. **Discontinuance of Service.** This Agreement does not give you a right to continued Service with the Company or any Affiliate, and the Company or any such Affiliate may terminate your Service at any time and otherwise deal with you without regard to the effect it may have upon you under this Agreement. Nothing in this Agreement is intended to, or does, constitute a contract of employment between you and the Company or any Affiliate.

8. **Governing Plan Document.** This Agreement and the Award are subject to all the provisions of the Plan, and to all interpretations, rules and regulations which may, from time to time, be adopted and promulgated by the Committee pursuant to the Plan. If there is any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan will govern.

9. **Choice of Law.** This Agreement will be interpreted and enforced under the laws of the state of Delaware (without regard to its conflicts or choice of law principles).

10. **Binding Effect.** This Agreement will be binding in all respects on your heirs, representatives, successors and assigns, and on the successors and assigns of the Company.

11. **Severability.** If any term or provision in this Agreement shall be held to any extent to be unlawful, void or unenforceable under any enactment or rule of law, that term or provision shall, to that extent, be deemed not to be part of this Agreement and the validity and enforceability of the remainder of this Agreement shall not be affected.

12. **Section 409A of the Code.** The award of PSUs as provided in this Agreement and any issuance of Shares or payment pursuant to this Agreement are intended to be exempt from Section 409A of the Code under the short-term deferral exception specified in Treas. Reg. § 1.409A-1(b)(4).

13. **Compensation Recovery Policy.** To the extent that any compensation paid or payable pursuant to this Agreement is considered “incentive-based compensation” within the meaning and subject to the requirements of Section 10D of the Exchange Act, such compensation shall be subject to potential forfeiture or recovery by the Company in accordance with the Company’s current compensation recovery policy and any amended or subsequently adopted compensation recovery policy adopted by the Board or any committee thereof in response to the requirements of Section 10D of the Exchange Act and any implementing rules and regulations thereunder adopted by the Securities and Exchange Commission or any national securities exchange on which the Company’s common stock is then listed. This Agreement may be unilaterally amended by the Company to comply with any such compensation recovery policy.

***By signing or otherwise authenticating the cover page of this Agreement, you agree to all the terms and conditions described above and in the Plan document.***

**Exhibit A to Performance Stock Unit Agreement**  
**Performance Goals and Determination of Earned PSUs**

Participant:

Grant Date:

Target Number of PSUs:

Performance Period: January 1, 20\_\_ – December 31, 20\_\_ (or such shorter period as provided in Section 4(b) of the Agreement)

Subject to the terms of the Performance Stock Unit Agreement (“Agreement”) referenced above and to which this Exhibit A is attached and of which it is a part, the number of PSUs that will be earned and become eligible to vest as of the Scheduled Vesting Date will be determined as provided below. Any capitalized term used in this Exhibit A that is not defined herein will have the meaning given to it in the Agreement or the Plan.

1. *Earned PSUs.* The number of earned PSUs is calculated by multiplying the Target Number of PSUs specified on the cover page of the Agreement by the Performance Multiplier Percentage.

2. *Definitions.* For purposes of determining the Performance Multiplier Percentage, the following terms shall have the meanings indicated:

(a) “Index” means the Russell 2000 Index.

(b) “TSR” or “Total Shareholder Return” for the Company or the Index during the Performance Period means the cumulative total return during the Performance Period on the Company’s Stock or a deemed investment in the Index, as measured by the change in the price of a share of the Company’s Stock or in the Index value, as the case may be, from the beginning of the Performance Period to the end of the Performance Period and taking into account the assumed reinvestment of all dividends paid during the Performance Period, expressed as a percentage comparing such cumulative total return to the price of a share of the Company’s Stock or the Index value, as the case may be, at the beginning of the Performance Period. Total Shareholder Return shall be calculated consistent with the following principles:

(i) The Stock price or Index value at the beginning of the Performance Period will be the average closing sale price of the Stock (on the principal U.S. exchange) or average Index value (as reported in the *Wall Street Journal*) for the 20 trading days immediately preceding the first day of the Performance Period.

(ii) The Stock price or Index value at the end of the Performance Period will be the average closing sale price of the Stock (on the principal U.S. exchange) or average Index value (as reported in the *Wall Street Journal*) for the last 20 trading days of the Performance Period.

(c) “Performance Multiplier Percentage” or “PMP” means the percentage specified in the following table that corresponds to the TSR achieved by the Company during the Performance Period as compared to the TSR achieved by the Index during the Performance Period. If the comparison of Company TSR against Index TSR falls between the performance levels specified in the table, the corresponding Performance Multiplier Percentage will be determined by linear interpolation. If Company TSR is greater than Index TSR but is negative, the Performance Multiplier Percentage shall be capped at 100%.

Company TSR as Compared to Index TSR	Performance Multiplier Percentage
Company TSR is more than 10 percentage points less than Index TSR	0%
Company TSR is 10 percentage points less than Index TSR	40%
Company TSR is equal to Index TSR	80%
Company TSR is 5 percentage points greater than Index TSR	100%
Company TSR is 30 percentage points greater than Index TSR	200%

3. *Rounding.* In calculating the Performance Multiplier Percentage, percentages shall be rounded to the nearest one-tenth of one percent. In calculating the number of earned PSUs, the number of earned PSUs shall be rounded to the nearest whole unit.

4. *Sample Calculations.* Assume that you are awarded a PSU award that involves a Target Number of 1,000 PSUs.

Example 1. Assume that the Company TSR during the Performance Period is 22% and the Index TSR is 20%. The PMP, which will be between 80% and 100%, is determined by adding to the PMP of 80% an additional 8% calculated as follows:

$$(100\% - 80\%) \times ((22\% - 20\%)/(5\%)) = 8\%$$

In this example, the difference between the relevant PMPs (100% - 80%) is multiplied by a fraction whose numerator is the difference between the Company's actual performance (22%) and the performance that corresponds to an 80% PMP (20%), and denominator is the amount of performance improvement that would increase the PMP from 80% to 100% (5 percentage points).

Finally, multiply the 1,000 target PSUs by the 88% PMP to get 880 earned PSUs.

Example 2. Assume that the Company TSR during the Performance Period is 36% and the Index TSR is 20%. The PMP, which will be between 100% and 200%, is determined by adding to the PMP of 100% an additional 44% calculated as follows:

$$(200\% - 100\%) \times ((36\% - 25\%)/(25\%)) = 44\%$$

In this example, the difference between the relevant PMPs (200% - 100%) is multiplied by a fraction whose numerator is the difference between the Company's actual performance (36%) and the performance that corresponds to a 100% PMP (25%), and denominator is the amount of performance improvement that would increase the PMP from 100% to 200% (25 percentage points [30-5]).

Finally, multiply the 1,000 target PSUs by the 144% PMP to get 1,440 earned PSUs.

Example 3. Assume that the Company TSR during the Performance Period is 16% and the Index TSR is 20%. The PMP, which will be between 40% and 80%, is determined by adding to the PMP of 40% an additional 24% calculated as follows:

$$(80\% - 40\%) \times ((16\% - 10\%)/(10\%)) = 24\%$$

In this example, the difference between the relevant PMPs (80% - 40%) is multiplied by a fraction whose numerator is the difference between the Company's actual performance (16%) and the performance that corresponds to a 40% PMP (10%), and denominator is the amount of performance improvement that would increase the PMP from 40% to 80% (10 percentage points).

Finally, multiply the 1,000 target PSUs by the 64% PMP to get 640 earned PSUs.



**SPS COMMERCE, INC.**  
**NON-EMPLOYEE DIRECTOR COMPENSATION SUMMARY**

<b>Adopted:</b>	26 October 2022
<b>Effective:</b>	Immediately prior to 2023 Annual Meeting of Stockholders

*Director annual retainer:* Annual retainer, payable in cash, of \$35,000 per director except for the chairperson who shall receive \$61,000.

*Committee chairs annual retainer:* Annual retainers, payable in cash, of:

Audit Committee:	\$ 20,000
Compensation Committee:	15,000
Finance and Strategy Committee:	10,000
Governance and Nominating Committee:	8,000

*Committee member annual retainer:* Annual retainers, payable in cash, of:

Audit Committee:	\$ 10,000
Compensation Committee:	7,000
Finance and Strategy Committee:	5,000
Governance and Nominating Committee:	4,000

*Annual non-statutory stock option grants:*

- To purchase up to \$91,250 of common stock calculated as the grant date fair value of the stock-based awards computed in accordance with FASB ASC 718 on the date of the Company's annual meeting of stockholders using the closing sale price for a share of the Company's common stock on the Nasdaq Global Market on the date of the annual meeting of stockholders
- Granted to directors who are elected to the board at the annual meeting of stockholders
- Exercise price per share equal to the closing sales price for a share on the Nasdaq Global Market on the date of the annual meeting of stockholders
- Vest in four equal installments on the last day of each fiscal quarter with the first vesting occurring on the fiscal quarter end next following the date of the annual meeting of stockholders, provided the recipient remains a member of the board as of the vesting date
- Maximum term of seven years measured from the date of grant

*Annual restricted stock and/or deferred stock unit grants:*

- To acquire up to \$91,250 of restricted common stock or deferred stock units, or some combination of the two, at the director's election, calculated by dividing \$91,250 by the closing sale price for a share of the Company's common stock on the Nasdaq Global Market on the date of the Company's annual meeting of stockholders
- Granted to directors who are elected to the board at the annual meeting of stockholders
- Vest in four equal installments on the last day of each fiscal quarter with the first vesting occurring on the fiscal quarter end next following the date of the annual meeting of stockholders, provided the recipient remains a member of the board as of the vesting date
- Deferred stock units must be retained until completion of the director's service on the board, and upon completion of such service, convert into an equal number of shares of the Company's common stock. A director may defer receipt of the shares for up to ten years after completion of service.

*Reimbursement of expenses:* The Company shall reimburse directors for reasonable expenses incurred in connection with attending board and committee meetings.

*Proration for appointment between annual meetings of stockholders:* In the event a director is elected or appointed to the board or a committee on a date other than the annual meeting of stockholders, the director shall receive the

cash retainer compensation set forth above pro rated based on the days subsequent to the most recent annual meeting, but shall not receive the equity compensation awards set forth above.

*Initial non-statutory stock option grants:* Each director, who is initially appointed or elected to the board receives a non-statutory stock option grant to purchase up to \$182,500 of common stock calculated as the grant date fair value of the stock-based awards computed in accordance with FASB ASC 718 in connection with initial appointment or election to the board. The grant is made on the fifth trading day following the Company's first earnings release following the date of initial appointment or election to the board (the "*Initial Option Grant Date*"). Exercise price per share equal to the closing sales price for a share on the Nasdaq Global Market on the Initial Option Grant Date. Vest in equal monthly installments over three years commencing on the first day of the calendar month following the initial appointment or election to the board, provided the recipient remains a member of the board as of the vesting date. Maximum term of seven years measured from the date of grant.

**List of SPS Commerce, Inc. Subsidiaries**

<b>Name of Company</b>	<b>State or Other Jurisdiction of Incorporation/Organization</b>
SPS International, Inc.	Delaware
SPS Commerce Australia Pty Ltd	Australia
SPS Commerce Canada, Ltd.	Canada
Intertrade Systems, Inc.	Canada
SPS Commerce Netherlands B.V.	Netherlands
SPS Europe Limited	England and Wales
SPS Ukraine LLC	Ukraine
SPS Commerce Philippines Inc.	Philippines
D Masons Software, LLC	Florida
Genius Central Systems LLC	Delaware
GCommerce, Inc.	Delaware
AutoSoez Commerce, Inc.	Delaware
GCommerce Data Cloud, Inc.	Delaware
GCommerce Fulfillment Cloud, LLC	Delaware
SPS Hong Kong Limited	Hong Kong

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statements on Form S-3 (Nos. 333-192392, 333-182097 and 333-174026) and on Form S-8 (Nos. 333-236671, 333-229838, 333-222438, 333-222435, 333-216288, 333-209721, 333-201673, 333-193544, 333-185972, 333-182007, 333-179236, 333-172073, 333-167315 and 333-167314) of our reports dated February 21, 2023, with respect to the consolidated financial statements of SPS Commerce, Inc. and subsidiaries and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Minneapolis, Minnesota  
February 21, 2023

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Archie Black, certify that:

1. I have reviewed this Annual Report on Form 10-K 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/ ARCHIE BLACK  
Archie Black  
Chief Executive Officer  
(principal executive officer)  
February 21, 2023

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Kimberly Nelson, certify that:

1. I have reviewed this Annual Report on Form 10-K 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)*

February 21, 2023

**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 Annual Report on Form 10-K of SPS Commerce, Inc. (the "Company") for the period ended December 31, 2022, 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/ ARCHIE BLACK  
Archie Black  
*Chief Executive Officer*  
*(principal executive officer)*

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

February 21, 2023