

## SPS Commerce Reports Fourth Quarter and Full Year 2010 Financial Results

# Company Delivers 40th Consecutive Quarter of Revenue Growth and 22% Recurring Revenue Growth Over 2009

MINNEAPOLIS, Feb. 9, 2011 (GLOBE NEWSWIRE) -- SPS Commerce (Nasdaq:SPSC), a leading provider of on-demand supply chain management solutions, today announced financial results for the fourth quarter and year ended December 31, 2010.

Revenue was \$11.9 million in the fourth quarter of 2010, compared to \$10.0 million in the fourth quarter of 2009, reflecting 19% growth in revenue from the fourth quarter 2009. Recurring revenue grew 22% from the fourth quarter of 2009.

Net income in the fourth quarter of 2010 was \$441,000 or \$0.04 per diluted share, compared to net income of \$213,000, or \$0.02 per diluted share, in the fourth quarter of 2009. Non-GAAP net income per diluted share was \$0.06, compared to non-GAAP net income per diluted share of \$0.03 in the fourth quarter of 2009. Adjusted EBITDA for the fourth quarter of 2010 was \$1.1 million, compared to \$706,000 for the fourth quarter of 2009.

"We're pleased to complete our first year as a public company with another solid quarter driven by continued execution and recurring revenue growth," said Archie Black, President and CEO of SPS Commerce. "We continue to foster deeper relationships among our customers and their trading partners, as well as build new relationships internationally through our viral platform. We have a proven value proposition to the SMB market, and we are focused on driving higher revenue streams across our products for 2011."

Revenue for the full year ended December 31, 2010 was \$44.6 million compared to \$37.7 million for the full year ended December 31, 2009, reflecting 18% growth in revenue. Recurring revenue grew 22% from the year ended December 31, 2009.

Net income for the twelve months ended December 31, 2010 was \$2.9 million or \$0.25 per diluted share, compared to net income of \$1.2 million, or \$0.13 per diluted share, for the comparable period in 2009. Non-GAAP net income per diluted share for the twelve months ended December 31, 2010 was \$0.31, compared to non-GAAP net income per diluted share of \$0.17 for the comparable period in 2009. Adjusted EBITDA for the full year ended December 31, 2010 was \$5.2 million, compared to \$3.2 million for the full year ended December 31, 2009.

"The fourth quarter marked a full decade of sequential revenue growth, a remarkable show of success driven by execution. We're pleased to report 22% recurring revenue growth over 2009 while delivering solid results to the bottom line," said Kim Nelson, Chief Financial Officer of SPS Commerce.

#### Guidance

For the first quarter of 2011, revenue is expected to be in the range of \$12.1 to \$12.3 million, representing growth of 18% to 20% compared to the first quarter of 2010. First quarter net income per diluted share is expected to be in the range of \$0.03 to \$0.04. Non-GAAP net income per diluted share is expected to be in the range of \$0.05 to \$0.06. Adjusted EBITDA is expected to be in the range of \$1.1 to \$1.2 million. Non-cash, share based compensation expense is expected to be approximately \$325,000.

For the full year of 2011, revenue is expected to be in the range of \$51.9 to \$52.7 million, representing growth of 16% to 18% compared to the full year of 2010. Full year net income per diluted share is expected to be in the range of \$0.16 to \$0.20. Non-GAAP net income per diluted share is expected to be in the range of \$0.29 to \$0.33. Adjusted EBITDA is expected to be in the range of \$5.6 to \$6.1 million. Non-cash, share based compensation expense is expected to be approximately \$1.8 million.

#### **Quarterly Conference Call**

SPS Commerce will discuss its quarterly results today via teleconference at 3:30 p.m. Central Time (4:30 p.m. Eastern Time). To access the call, please dial (877) 312-7508, or outside the U.S. (253) 237-1184, at least five minutes prior to the 3:30p.m. CT start time. A live webcast of the call will also be available at <a href="http://investors.spscommerce.com">http://investors.spscommerce.com</a> under the Events & Presentations menu. An audio replay will be available between 6:30 p.m. CT February 9, 2011 and 10:59 p.m. CT February 23,

2011 by calling (800) 642-1687 or (706) 645-9291, with Conference ID 34275968. The replay will also be available on the Company's website at <a href="http://investors.spscommerce.com">http://investors.spscommerce.com</a>.

#### **About SPS Commerce**

SPS Commerce is a leading provider of on-demand supply chain management solutions, providing integration, collaboration, connectivity, visibility and data analytics to thousands of customers worldwide. We deliver our solutions over the Internet using a Software-as-a-Service model to improve the way suppliers, retailers, distributors and other customers manage and fulfill orders. Our SPSCommerce.net platform features pre-built integrations used by current and new customers alike, spanning 3,000 order management models across 1,500 retailers, grocers and distributors, as well as integrations to over 100 accounting, warehouse management, enterprise resource planning, and packing and shipping applications. More than 38,000 customers across more than 40 countries have used SPSCommerce.net, making it one of the largest trading partner integration centers. SPS Commerce has 40 consecutive quarters of increased revenues and is headquartered in Minneapolis. For additional information, please contact SPS Commerce at 866-245-8100 or visit <a href="www.spscommerce.com">www.spscommerce.com</a>. SPS Commerce is a registered trademark of SPS Commerce, Inc. SPSCommerce.net and the SPS Commerce logo are the property of SPS Commerce, Inc.

The SPS Commerce logo is available at <a href="http://www.globenewswire.com/newsroom/prs/?pkgid=7184">http://www.globenewswire.com/newsroom/prs/?pkgid=7184</a>

#### **Use of Non-GAAP Financial Measures**

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

EBITDA consists of net income plus depreciation and amortization, interest expense, interest income and income tax (benefit) expense. Adjusted EBITDA consists of EBITDA plus non-cash, share-based compensation expense. SPS Commerce uses Adjusted EBITDA as a measure of operating performance because it assists the company in comparing performance on a consistent basis, as it removes from operating results the impact of the company's capital structure. SPS Commerce believes Adjusted EBITDA is useful to an investor in evaluating the company's operating performance because it is widely used to measure a company's operating performance without regard to items such as depreciation and amortization, which can vary depending upon accounting methods and the book value of assets, and to present a meaningful measure of corporate performance exclusive of the company's capital structure and the method by which assets were acquired.

Non-GAAP net income per share consists of net income plus non-cash, share-based compensation expense and amortization expense related to intangible assets divided by the weighted average number of shares of common stock outstanding during each period. SPS Commerce believes non-GAAP net income per share is useful to an investor because it is widely used to measure a company's operating performance.

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

Three Months Ended

# SPS COMMERCE, INC. NON-GAAP RECONCILIATION

(Unaudited; in thousands, except per share amounts)

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December 31,		Decem	ber 31,
2010	2009	2010	2009
\$ 441	\$ 213	\$ 2,884	\$ 1,162
385	366	1,533	1,455

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Net income

Depreciation and amortization

Interest expense	8	45	74	270
Interest income	(54)		(158)	
Income tax (benefit) expense	(4)	31	92	91
EBITDA	776	655	4,425	2,978
Non-cash, stock-based compensation expense	292	51	750	228
Adjusted EBITDA	\$ 1,068	\$ 706	\$ 5,175	\$ 3,206
Net income	\$ 441	\$ 213	\$ 2,884	\$ 1,162
Non-cash, stock-based compensation expense	292	51	750	228
Amortization of intangible assets				155
Non-GAAP net income	\$ 733	\$ 264	\$ 3,634	\$ 1,545
Shares used to compute non-GAAP net income per share				
Basic	11,727	329	8,036	329
Diluted	12,552	9,428	11,596	9,268
Non-GAAP net income per share				
Basic	\$ 0.06	\$ 0.80	\$ 0.45	\$ 4.70
Diluted	\$ 0.06	\$ 0.03	\$ 0.31	\$ 0.17

### Forward-Looking Statements

This press release may contain forward-looking statements, including information about management's view of SPS Commerce's future expectations, plans and prospects, within the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors which may cause the results of SPS Commerce, divisions and concepts to be materially different than those expressed or implied in such statements. Certain of these risk factors and others are included in documents SPS Commerce files with the Securities and Exchange Commission, including but not limited to, the final prospectus relating to a public offering filed with the Securities and Exchange Commission on December 3, 2010, as well as subsequent reports filed with the Securities and Exchange Commission. Other unknown or unpredictable factors also could have material adverse effects on SPS Commerce's future results. The forward-looking statements included in this press release are made only as of the date hereof. SPS Commerce cannot guarantee future results, levels of activity, performance or achievements. Accordingly, you should not place undue reliance on these forward-looking statements. Finally, SPS Commerce expressly disclaims any intent or obligation to update any forward-looking statements to reflect subsequent events or circumstances.

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## SPS COMMERCE, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited; in thousands, except share amounts)

December 31,			
2010	2009		

#### **ASSETS**

#### **CURRENT ASSETS**

Cash and cash equivalents	\$ 40,473	\$ 5,931
Accounts receivable, less allowance for doubtful accounts of \$209 and \$226	5,574	4,766
Deferred costs, current	4,720	4,126

PROPERTY AND EQUIPMENT, net         2,760         2,760           CODDWILL         1,166         1,166           INTANCIBLE ASSETS, net         2         2           Differ Cassis, net of current portion         1,943         2,617           Chief non-current assets         1,943         1,618           LIABILITIES, REDEEMABLE CONVERTIBLE PREFERED STOCK AND STOCKHOLDERS' EQUITY (DEFICT)         5,788         2,191           CURRENT LIABILITIES           Current portion of long-term debt         5         8         3,00           Line of credit         9         1,25         3,00           Accounts payable         9         1,35         3,00           Accounted expenses and other current liabilities         9         1,35         3,00           Coursel portion of deferred revenue         9         1,25         3,00           Current portion of deferred revenue         9         1,25         3,00           Current portion of deferred revenue         9         1,25         3,00           Current portion of deferred revenue         2         3,00         3,00           Construct urent liabilities         1,00         1,00         1,00         1,00         1,00         1,00         1,00         1,0	Total current assets	51,641	16,263
INTAMSIBLE ASSETS, net   1,943   1,945   1,9	PROPERTY AND EQUIPMENT, net	2,760	2,520
OTHER ASSETS         Deferred costs, net of current portion         1,943         16,943	GOODWILL	1,166	1,166
Deferred costs, net of current portion (Difer non-current assets)         1,84         6,76           LIABBILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)           CURRENT LIABBILITIES           CURRENT Correction of long-term debt         \$ 1.2         \$ 8.35           Line of credit         9.08         1.0           Accorused expenses and other current liabilities         3.07         3.00           Accurrent portion of deferred revenue         3.58         3.00           Current portion of deferred revenue         3.58         3.00           CUrrent portion of deferred revenue         3.58         3.00           CONSTERM DEBT, less current portion         9.08         1.0           CONSTERM DEBT, less current portion         5.00         3.00           Other non-current liabilities         2.0         3.00           Other non-current liabilities         3.00         3.00           Total lurant overnue, less current portion         5.0         3.00           Other non-current liabilities         5.0         3.00           Series Redeemable convertible preferred stock, \$0.001 par value, 0 and 6,274,329 shares suthorized; 0 and 1,154,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$1.000, respectively         5.0         5.0	INTANGIBLE ASSETS, net	290	290
Other non-current assets         88         68           CURRENT LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)           CURRENT LIABILITIES           Current portion of long-term debt         \$1.00         8.03           Line of credit         9.08         1.00           Accounts payable         9.08         1.00           Accounts payable         9.08         1.00           Accured expenses and other current liabilities         3.07         1.00           Current portion of deferred revenue         9.08         1.00           Total current liabilities         9.08         1.00           TOHER LIABILITIES         9.00         1.00           Deferred revenue, less current portion         5.00         2.00           Other non-current liabilities         1.00         1.00           Total liabilities         1.00         1.00           REDEEMABLE CONVERTIBLE PREFERED STOCK         2.00         1.00           Series I redeemable convertible preferred stock, \$0.001 par value, 0 and \$11,002, respectively         5.00         5.00           Series I redeemable convertible preferred stock, \$0.001 par value, 0 and 6,274,329 shares subtrorized; 0 and 51,002, for yardina subtrorized; 0 and 51,002,002 shares a subtrorized; 0 and 51,002,002 shares a subtrorized; 0 and 5	OTHER ASSETS		
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)           CURRENT LIABILITIES           CURRENT CURRENT CURRENT CONVERTIBLE PREFERRED STOCK           Current portion of long-term debt         \$ 122         \$ 837           Line of credit         998         1,345           Accounts payable         998         1,345           Accrued compensation and benefits         3,077         1,005           Accrued expenses and other current liabilities         807         1,16           Current portion of deferred revenue         3,585         3,407           Total current liabilities         9,089         11,290           LONG-TERM DEBT, less current portion         5,00         4,025           Other non-current liabilities         2,81         9,37           Total liabilities         2,31         1,62           REDEEMABLE CONVERTIBLE PREFERED STOCK         5,688,116 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively         5         3,7676           Series A redeemable convertible preferred stock, \$0,001 par value, 0 and 4,502,000 shares authorized; 0 and 1,564,154 shares issued and outstanding; aggregate liquidation preference of \$0 and \$1,000, respectively         5         2,0658           Series C redeemable convertible preferred stock, \$0,001 par value, 0 and 4,502,000 shares author	Deferred costs, net of current portion	1,943	1,617
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)           CURRENT LIABILITIES           Curnent portion of long-term debt         \$ 122         8.837           Line of credit         98         1.456           Accorust payable         998         1.456           Accrued compensation and benefits         3,577         30.05           Accrued expenses and other current liabilities         807         1,196           Current portion of deferred revenue         3,585         3,470           Total current liabilities         9,089         11,290           LONG-TERM DEBT, less current portion         5,002         4,025           OTHER LIABILITIES         5,000         4,025           Deferred revenue, less current portion         5,002         4,025           Other non-current liabilities         2,21         937           Total liabilities         2,21         937           REDEEMABLE CONVERTIBLE PREFERRED STOCK         Series A redeemable convertible preferred stock, \$0.001 par value, 0 and 1,182,217 shares authorized; 0 and 1,154,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$11,000, respectively         5         3,766           Series B redeemable convertible preferred stock, \$0.001 par value, 0 and 6,274,329 shares authorized; 0 and 1,251,559 shares issued and o	Other non-current assets	80	63
CURRENT LIABILITIES           Current portion of long-term debt         \$ 18.29         \$ 8.87           Line of credit         \$ 9.89         1,345           Accorust payable         998         1,345           Accrured compensation and benefits         3,577         30.05           Accrured expenses and other current liabilities         807         1,196           Current portion of deferred revenue         3,585         3,407           Total current liabilities         3,585         3,585           OLNG-TERM DEBT, less current portion         5,002         4,025           Other LIABILITIES         5,002         4,025           Other non-current liabilities         281         937           Total liabilities         281         937           Total liabilities         281         937           Series A redeemable convertible preferred stock, \$0.001 par value, 0 and 1,182,217 shares authorized, 0 and 1,154,167 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively         \$ 3,567           Series C redeemable convertible preferred stock, \$0.001 par value, 0 and 1,162,000 shares authorized, 0 and 1,154,167 shares issued and outstanding; aggregate liquidation preference of \$0 and \$2,1112, respectively         \$ 2,065           Series C redeemable convertible preferred stock, \$0.001 par value, 0,200 and 1,620,200 shares authori		\$ 57,880	\$ 21,919
CURRENT LIABILITIES           Current portion of long-term debt         \$ 18.29         \$ 8.87           Line of credit         \$ 9.89         1,345           Accorust payable         998         1,345           Accrured compensation and benefits         3,577         30.05           Accrured expenses and other current liabilities         807         1,196           Current portion of deferred revenue         3,585         3,407           Total current liabilities         3,585         3,585           OLNG-TERM DEBT, less current portion         5,002         4,025           Other LIABILITIES         5,002         4,025           Other non-current liabilities         281         937           Total liabilities         281         937           Total liabilities         281         937           Series A redeemable convertible preferred stock, \$0.001 par value, 0 and 1,182,217 shares authorized, 0 and 1,154,167 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively         \$ 3,567           Series C redeemable convertible preferred stock, \$0.001 par value, 0 and 1,162,000 shares authorized, 0 and 1,154,167 shares issued and outstanding; aggregate liquidation preference of \$0 and \$2,1112, respectively         \$ 2,065           Series C redeemable convertible preferred stock, \$0.001 par value, 0,200 and 1,620,200 shares authori			
Current portion of long-term debt         \$120         \$1,500           Line of credit         \$1,500         \$1,500           Accounts payable         \$3,57         \$1,500           Accrued compensation and benefits         \$3,57         \$1,000           Accrued expenses and other current liabilities         807         \$1,196           Current portion of deferred revenue         \$3,58         \$3,000           Total current liabilities         9,089         \$1,200           LONG-TERM DEBT, less current portion         \$5,000         \$4,025           OTHER LIABILITIES         \$20         \$4,025           Other non-current liabilities         \$2,000         \$4,025           Other non-current liabilities         \$2,000         \$4,025           Other non-current liabilities         \$2,000         \$4,025           Total liabilities         \$2,000         \$4,025           REDEEMABLE CONVERTIBLE PREFERRED STOCK         \$2,000         \$3,000           Series A redeemable convertible preferred stock, \$0,001 par value, 0 and \$1,182,217 shares authorized; 0 and \$1,154,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$1,100,000 respectively         \$3,688,116 shares issued and outstanding; aggregate liquidation preference of \$0 and \$2,1112, respectively         \$2,0,658           Series A redeemable convertible preferred st	LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
Line of credit	CURRENT LIABILITIES		
Accounts payable         3,367         3,005           Accrued compensation and benefits         3,577         3,005           Accrued expenses and other current liabilities         807         1,196           Current portion of deferred revenue         3,588         3,407           Total current liabilities         9,08         11,290           LONG-TERM DEBT, less current portion         0         355           OTHER LIABILITIES         5,002         4,025           Other non-current liabilities         281         937           Total liabilities         281         937           REDEEMABLE CONVERTIBLE PREFERRED STOCK         281         937           Series A redeemable convertible preferred stock, \$0,001 par value, 0 and 1,182,217 shares authorized; 0 and 1,145,4,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively         37,676           Series B redeemable convertible preferred stock, \$0,001 par value, 0 and 6,274,329 shares authorized; 0 and 1,251,359 shares issued and outstanding; aggregate liquidation preference of \$0 and \$21,112, respectively         2,0,658           Series C redeemable convertible preferred stock, \$0,001 par value, 0 and 1,602,000 shares authorized; 0 and 1,251,359 shares issued and outstanding; aggregate liquidation preference of \$0 and \$7,500, respectively         2,7,444           Total redeemable convertible preferred stock, \$0,001 par value; 5,000,000 and 0 shares authorize	Current portion of long-term debt	\$ 122	\$ 837
Accrued compensation and benefits         3,577         3,000           Accrued expenses and other current liabilities         807         1,196           Current portion of deferred revenue         3,585         3,407           Total current liabilities         9,089         11,290           LONG-TERM DEBT, less current portion         5,002         4,025           OTHER LIABILITIES         5,002         4,025           Deferred revenue, less current portion         281         937           Other non-current liabilities         14,372         16,607           REDEEMABLE CONVERTIBLE PREFERRED STOCK         281         937           REDEEMABLE CONVERTIBLE PREFERRED STOCK         37,676           Series A redeemable convertible preferred stock, \$0,001 par value, 0 and 1,182,217 shares authorized; 0 and 1,154,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively         37,676           Series B redeemable convertible preferred stock, \$0,001 par value, 0 and 6,274,329 shares authorized; 0 and 1,251,559 shares issued and outstanding; aggregate liquidation preference of \$0 and \$21,112, respectively         2,26,588           Series C redeemable convertible preferred stock, \$0,001 par value, 0 and 1,602,000 shares authorized; 0 and 1,251,559 shares issued and outstanding; aggregate liquidation preference of \$0 and \$7,500, respectively         2,7,444           Total redeemable convertible preferred stock, \$0,001 par value;	Line of credit		1,500
Accrued expenses and other current liabilities         807         1,196           Current portion of deferred revenue         3,585         3,407           Total current liabilities         9,089         11,290           LONG-TERM DEBT, less current portion         5,052         4,055           OTHER LIABILITIES         5,002         4,025           Other non-current liabilities         281         937           Total liabilities         281         937           Total liabilities         14,372         16,607           REDEEMABLE CONVERTIBLE PREFERRED STOCK         8         2         281         937           REDEEMABLE CONVERTIBLE PREFERRED STOCK         8         2         37,676         37,676           Series A redeemable convertible preferred stock, \$0,001 par value, 0 and 1,182,217 shares authorized, 0 and 1,154,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively         8         20,688           Series B redeemable convertible preferred stock, \$0,001 par value, 0 and 6,274,329 shares authorized, 0 and 1,251,559 shares issued and outstanding; aggregate liquidation preference of \$0 and \$21,112, respectively         8         7,444           Total redeemable convertible preferred stock, \$0,001 par value, 0 and 1,602,000 shares authorized, 0 and 1,251,559 shares issued and outstanding; aggregate liquidation preference of \$0 and \$7,500, respectively         \$         <	Accounts payable	998	1,345
Current portion of deferred revenue         3,585         3,407           Total current liabilities         9,089         11,290           LONG-TERM DEBT, less current portion         5,055         355           OTHER LIABILITIES         5,002         4,025           Other non-current liabilities         281         937           Total liabilities         14,372         16,607           REDEEMABLE CONVERTIBLE PREFERED STOCK         ***         ***           Series A redeemable convertible preferred stock, \$0,001 par value, 0 and 1,182,217 shares authorized; 0 and 1,154,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively         \$**         37,676           Series B redeemable convertible preferred stock, \$0,001 par value, 0 and 6,274,329 shares authorized; 0 and 5,688,116 shares issued and outstanding; aggregate liquidation preference of \$0 and \$21,112, respectively         \$**         20,658           Series C redeemable convertible preferred stock, \$0,001 par value, 0 and 1,602,000 shares authorized; 0 and 1,251,559 shares issued and outstanding; aggregate liquidation preference of \$0 and \$7,500, respectively         \$**         7,444           Total redeemable convertible preferred stock         \$**         7,444           Total redeemable convertible preferred stock         \$**         7,444           Total redeemable convertible preferred stock         \$**         7,444	Accrued compensation and benefits	3,577	3,005
Total current liabilities         9,089         11,290           LONG-TERM DEBT, less current portion         3.5           OTHER LIABILITIES         5,002         4,025           Other non-current liabilities         281         937           Total liabilities         14,372         16,607           REDEEMABLE CONVERTIBLE PREFERRED STOCK         5,002         4,025           Series A redeemable convertible preferred stock, \$0,001 par value, 0 and 1,182,217 shares authorized; 0 and 1,154,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively         5,766           Series B redeemable convertible preferred stock, \$0,001 par value, 0 and 6,274,329 shares authorized; 0 and 5,688,116 shares issued and outstanding; aggregate liquidation preference of \$0 and \$21,112, respectively         2.0,658           Series C redeemable convertible preferred stock, \$0,001 par value, 0 and 1,602,000 shares authorized; 0 and 1,251,559 shares issued and outstanding; aggregate liquidation preference of \$0 and \$7,500, respectively         2.0,658           Series C redeemable convertible preferred stock         2.0,658           Series C redeemable convertible preferred stock         5,000,000 par value, 0 and 1,602,000 shares authorized; 0 and 1,251,559 shares issued and outstanding; aggregate liquidation preference of \$0 and \$7,500, respectively         2.0,658           STOCKHOLDERS' EQUITY (DEFICIT)         2.0,658         5,778           Preferred stock, \$0,001 par value; 5,000,000 and 0	Accrued expenses and other current liabilities	807	1,196
CONG-TERM DEBT, less current portion   Common stock, \$0.001 par value; 5,000,000 and 0 shares authorized; 0 shares issued and outstanding; respectively   Congress of Scott (Scott)   Congress of Sc	Current portion of deferred revenue	3,585	3,407
Deferred revenue, less current portion 5,002 4,025 Other non-current liabilities 214,372 5,000 7	Total current liabilities	9,089	11,290
Deferred revenue, less current portion 5,002 4,025 Other non-current liabilities 281 937 Total liabilities 14,372 16,607  REDEEMABLE CONVERTIBLE PREFERRED STOCK Series A redeemable convertible preferred stock, \$0.001 par value, 0 and 1,182,217 shares authorized; 0 and 1,154,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively	LONG-TERM DEBT, less current portion		355
Other non-current liabilities281937Total liabilities14,37216,607REDEEMABLE CONVERTIBLE PREFERRED STOCK14,37216,607Series A redeemable convertible preferred stock, \$0.001 par value, 0 and 1,182,217 shares authorized; 0 and 1,154,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively-37,676Series B redeemable convertible preferred stock, \$0.001 par value, 0 and 6,274,329 shares authorized; 0 and 5,688,116 shares issued and outstanding; aggregate liquidation preference of \$0 and \$21,112, respectively-20,658Series C redeemable convertible preferred stock, \$0.001 par value, 0 and 1,602,000 shares authorized; 0 and 1,251,559 shares issued and outstanding; aggregate liquidation preference of \$0 and \$7,500, respectively-7,444Total redeemable convertible preferred stock-7,444STOCKHOLDERS' EQUITY (DEFICIT)Preferred stock, \$0.001 par value; 5,000,000 and 0 shares authorized; 0 shares issued and outstandingCommon stock, \$0.001 par value; 5,000,000 and 13,442,303 shares authorized; 11,849,572 and 327,113 shares issued and outstanding, respectively12-Additional paid-in capital106,2645,186Accumulated deficit(62,768)(65,652)Total stockholders' equity (deficit)43,508(60,466)	OTHER LIABILITIES		
Total liabilities 14,372 16,607  REDEEMABLE CONVERTIBLE PREFERRED STOCK  Series A redeemable convertible preferred stock, \$0.001 par value, 0 and 1,182,217 shares authorized; 0 and 1,154,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively	Deferred revenue, less current portion	5,002	4,025
REDEEMABLE CONVERTIBLE PREFERRED STOCK  Series A redeemable convertible preferred stock, \$0.001 par value, 0 and 1,182,217 shares authorized; 0 and 1,154,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively 37,676  Series B redeemable convertible preferred stock, \$0.001 par value, 0 and 6,274,329 shares authorized; 0 and 5,688,116 shares issued and outstanding; aggregate liquidation preference of \$0 and \$21,112, respectively 20,658  Series C redeemable convertible preferred stock, \$0.001 par value, 0 and 1,602,000 shares authorized; 0 and 1,251,559 shares issued and outstanding; aggregate liquidation preference of \$0 and \$7,500, respectively 65,778   STOCKHOLDERS' EQUITY (DEFICIT)  Preferred stock, \$0.001 par value; 5,000,000 and 0 shares authorized; 0 shares issued and outstanding 65,778  Common stock, \$0.001 par value; 55,000,000 and 13,442,303 shares authorized; 11,849,572 and 327,113 shares issued and outstanding, respectively 4dditional paid-in capital 106,264 5,186  Accumulated deficit (62,768) (65,652)  Total stockholders' equity (deficit) 43,508 (60,466)	Other non-current liabilities	281	937
Series A redeemable convertible preferred stock, \$0.001 par value, 0 and 1,182,217 shares authorized; 0 and 1,154,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively 37,676 Series B redeemable convertible preferred stock, \$0.001 par value, 0 and 6,274,329 shares authorized; 0 and 5,688,116 shares issued and outstanding; aggregate liquidation preference of \$0 and \$21,112, respectively 20,658 Series C redeemable convertible preferred stock, \$0.001 par value, 0 and 1,602,000 shares authorized; 0 and 1,251,559 shares issued and outstanding; aggregate liquidation preference of \$0 and \$7,500, respectively 7,444 Total redeemable convertible preferred stock 65,778  STOCKHOLDERS' EQUITY (DEFICIT)  Preferred stock, \$0.001 par value; 5,000,000 and 0 shares authorized; 0 shares issued and outstanding Common stock, \$0.001 par value; 55,000,000 and 13,442,303 shares authorized; 11,849,572 and 327,113 shares issued and outstanding, respectively 12 Additional paid-in capital 106,264 5,186 Accumulated deficit (62,768) (65,652) Total stockholders' equity (deficit) 43,508 (60,466)	Total liabilities	14,372	16,607
1,154,151 shares issued and outstanding; aggregate liquidation preference of \$0 and \$10,000, respectively  Series B redeemable convertible preferred stock, \$0.001 par value, 0 and 6,274,329 shares authorized; 0 and 5,688,116 shares issued and outstanding; aggregate liquidation preference of \$0 and \$21,112, respectively  Series C redeemable convertible preferred stock, \$0.001 par value, 0 and 1,602,000 shares authorized; 0 and 1,251,559 shares issued and outstanding; aggregate liquidation preference of \$0 and \$7,500, respectively  Total redeemable convertible preferred stock  STOCKHOLDERS' EQUITY (DEFICIT)  Preferred stock, \$0.001 par value; 5,000,000 and 0 shares authorized; 0 shares issued and outstanding  Common stock, \$0.001 par value; 55,000,000 and 13,442,303 shares authorized; 11,849,572 and 327,113 shares issued and outstanding, respectively  Additional paid-in capital  Accumulated deficit  Total stockholders' equity (deficit)  37,676  37,676  - 20,658  - 37,678  - 7,444  - 7,44  - 7,444  - 7,444  - 7,444  - 7,444  - 7,444  - 7,444  - 7,444  - 7,444  - 7,444  - 7,444  - 7,444  - 7,444  - 7,444  - 7,444	REDEEMABLE CONVERTIBLE PREFERRED STOCK		
Series C redeemable convertible preferred stock, \$0.001 par value, 0 and 1,602,000 shares authorized; 0 and 1,251,559 shares issued and outstanding; aggregate liquidation preference of \$0 and \$7,500, respectively  Total redeemable convertible preferred stock  STOCKHOLDERS' EQUITY (DEFICIT)  Preferred stock, \$0.001 par value; 5,000,000 and 0 shares authorized; 0 shares issued and outstanding  Common stock, \$0.001 par value; 55,000,000 and 13,442,303 shares authorized; 11,849,572 and 327,113 shares issued and outstanding, respectively  Additional paid-in capital  Accumulated deficit  Total stockholders' equity (deficit)  - 20,658  8			37,676
1,251,559 shares issued and outstanding; aggregate liquidation preference of \$0 and \$7,500, respectively  Total redeemable convertible preferred stock  STOCKHOLDERS' EQUITY (DEFICIT)  Preferred stock, \$0.001 par value; 5,000,000 and 0 shares authorized; 0 shares issued and outstanding  Common stock, \$0.001 par value; 55,000,000 and 13,442,303 shares authorized; 11,849,572 and 327,113 shares issued and outstanding, respectively  Additional paid-in capital  Accumulated deficit  Total stockholders' equity (deficit)  - 7,444  - 7,444  - 7,444  - 7,444  - 7,444  - 65,778			20,658
STOCKHOLDERS' EQUITY (DEFICIT)  Preferred stock, \$0.001 par value; 5,000,000 and 0 shares authorized; 0 shares issued and outstanding  Common stock, \$0.001 par value; 55,000,000 and 13,442,303 shares authorized; 11,849,572 and 327,113 shares issued and outstanding, respectively  Additional paid-in capital  Accumulated deficit  Total stockholders' equity (deficit)  STOCKHOLDERS' EQUITY (DEFICIT)			7,444
Preferred stock, \$0.001 par value; 5,000,000 and 0 shares authorized; 0 shares issued and outstanding  Common stock, \$0.001 par value; 55,000,000 and 13,442,303 shares authorized; 11,849,572 and 327,113 shares issued and outstanding, respectively  Additional paid-in capital  Accumulated deficit  Total stockholders' equity (deficit)	Total redeemable convertible preferred stock		65,778
Common stock, \$0.001 par value; 55,000,000 and 13,442,303 shares authorized; 11,849,572 and 327,113 shares issued and outstanding, respectively  Additional paid-in capital  Accumulated deficit  Total stockholders' equity (deficit)  12  (62,768) (65,652)  (60,466)	STOCKHOLDERS' EQUITY (DEFICIT)		
and outstanding, respectively       12          Additional paid-in capital       106,264       5,186         Accumulated deficit       (62,768)       (65,652)         Total stockholders' equity (deficit)       43,508       (60,466)	Preferred stock, \$0.001 par value; 5,000,000 and 0 shares authorized; 0 shares issued and outstanding		
Accumulated deficit (62,768) (65,652)  Total stockholders' equity (deficit) (60,466)		12	
Accumulated deficit (62,768) (65,652)  Total stockholders' equity (deficit) (60,466)		106,264	5,186
Total stockholders' equity (deficit) 43,508 (60,466)		(62,768)	(65,652)
	Total stockholders' equity (deficit)	43,508	

Prepaid expenses and other current assets

## SPS COMMERCE, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in thousands, except per share amounts)

Three Months Ended Year Ended
December 31, December 31,

874

1,440

<u>-</u>	2010	2009	2010	2009
Revenues	\$ 11,919	\$ 9,981	\$ 44,597	\$ 37,746
Cost of revenues	3,333	2,973	12,626	11,715
Gross profit	8,586	7,008	31,971	26,031
Operating expenses				
Sales and marketing	4,833	3,501	16,601	13,506
Research and development	1,131	1,079	4,349	4,305
General and administrative	2,180	1,668	7,985	6,339
Total operating expenses	8,144	6,248	28,935	24,150
Income from operations	442	760	3,036	1,881
Other income (expense)				
Interest expense	(8)	(45)	(74)	(270)
Interest income	54		158	
Other income (expense)	(51)	(471)	(144)	(358)
Total other expense	(5)	(516)	(60)	(628)
Income tax benefit (expense)	4	(31)	(92)	(91)
Net income	\$ 441	\$ 213	\$ 2,884	\$ 1,162
Net income per share				
Basic	\$ 0.04	\$ 0.65	\$ 0.36	\$ 3.53
Diluted	\$ 0.04	\$ 0.02	\$ 0.25	\$ 0.13
Weighted average common shares used to compute net income per share				
Basic	11,727	329	8,036	329
Diluted	12,552	9,428	11,596	9,268

## SPS COMMERCE, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in thousands)

	Year Ended December 31,	
	2010	2009
Cash flows from operating activities		
Net income	\$ 2,884	\$ 1,162
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	1,533	1,445
Provision for doubtful accounts	274	439
Stock-based compensation	750	228
Change in carrying value of preferred stock warrants	27	381
Other	1	10
Changes in assets and liabilities		
Accounts receivable	(1,081)	(641)
Prepaid expenses and other current assets	567	(655)
Other assets	(17)	(6)
Deferred costs	(919)	(98)
Accounts payable	(347)	541
Deferred revenue	1,155	844

Accrued compensation and benefits	572	1,121
Accrued expenses and other current liabilities	(480)	387
Net cash provided by operating activities	4,919	5,158
Cash flows from investing activities		
Purchases of property and equipment	(1,772)	(1,000)
Net cash used in investing activities	(1,772)	(1,000)
Cash flows from financing activities		
Borrowings on line of credit	4,450	16,325
Payments on line of credit	(5,950)	(16,125)
Payments on equipment loans	(732)	(730)
Payments on term loan		(679)
Payments of capital lease obligations	(338)	(534)
Net proceeds from initial public offering	32,902	
Net proceeds from secondary stock offering	1,020	
Net proceeds from exercise of options to purchase common stock	43	2
Purchase of preferred and common stock		(201)
Net cash provided by (used in) financing activities	31,395	(1,942)
Net increase in cash and cash equivalents	34,542	2,216
Cash and cash equivalents at beginning of period	5,931	3,715
Cash and cash equivalents at end of period	\$ 40,473	\$ 5,931

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