



SPS COMMERCE

2023 ANNUAL REPORT

At the Center of Commerce

Creating Powerful Connections

TO OUR STOCKHOLDERS

In 2023, I joined SPS Commerce knowing the company plays a pivotal role in supply chain automation as retailers and suppliers transition to omnichannel retail. With a full quarter behind me, I can say with conviction that the network SPS has built over the years uniquely positions us to optimize our customers' supply chain operations. This is demonstrated through our success to date, and I am highly confident our differentiated go-to-market approach will provide an ongoing opportunity for growth.

By simplifying the exchange of supply chain data, SPS has become the world's retail network. By harnessing that data, we can help our customers make their trading partner relationships more collaborative and profitable. As we explore new use cases and adjacencies to leverage the data, we continue to create a strong market position and an undeniable value proposition for trading partners everywhere.

Looking back at 2023, the company's strong performance underscored our ability to execute as macro and retail dynamics continue to evolve. The fourth quarter of 2023 represented our 92nd consecutive quarter of revenue growth and a strong finish to an exciting year. For the full year 2023, revenue grew 19% to \$536.9 million. Recurring revenue grew 20% year-over-year led by Fulfillment growth of 20%. Adjusted EBITDA¹ grew 19% year-over-year to \$157.6 million, resulting in adjusted EBITDA margin¹ of 29%. The total number of recurring revenue customers increased 6% year-over-year to approximately 44,800, and wallet share, or average revenue per recurring revenue customer, increased 10% year-over-year to approximately \$11,550.

Throughout the year we demonstrated ongoing success in expanding our network, helping retailers and suppliers with supply chain automation, and enabling their international expansion. ERP integration is another key component to solving supply chain challenges, and our continued focus on the channel and the strategic partnerships we established over the years play a pivotal role in growing our network.

SPS' ability to deliver world-class solutions includes targeted acquisitions that integrate best in class technology with the SPS platform. In 2023, we continued to expand our portfolio with the acquisition of TIE Kinetix to strengthen our e-invoicing capability and extend our European presence. We also acquired The Order Exchange, one of our technology partners in Australia, who enabled suppliers to link their line of business applications through SPS' network, unlocking connections to trading partners around the world.

In addition, we are advancing our environmental, social and governance endeavors. We are proud of our progress to date and remain committed to effect positive change through environmental stewardship, diversity, equity and inclusion, and giving back to the communities in which we live and work.

In closing, I would like to acknowledge all SPS employees around the world for their inherent retail expertise, their commitment to consistent execution, and their drive to deliver the best experience to 120,000 SPS Commerce customers around the globe to date. Combined with our technology roadmap which includes initiatives to further simplify access to the network and continued buildout of trading partner connections, SPS is well positioned to capitalize on growth opportunities today and in the long term, as we continue to execute our vision to be the world's retail network.

Sincerely,



Chad Collins
CEO

¹ Adjusted EBITDA and Adjusted EBITDA Margin 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. 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. A reconciliation of these non-GAAP measures can be found within the 'Results of Operations' section of Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, within the attached Form 10-K.

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 1A, “Risk Factors” of this Annual Report on Form 10-K for the year ended December 31, 2023, as may be updated in our subsequent Quarterly Reports on Form 10-Q 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 U.S. Securities and Exchange Commission (“SEC”) that advise interested parties of the risks and factors that may affect our business.



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.



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 a 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.



Our Audit Committee of our board of directors oversees our risk management processes related to cybersecurity risks and is regularly informed of such risks through presentations or reports from our CISO. In addition, our security incident response plan includes reporting certain cybersecurity incidents to our Audit Committee. Finally, our board of directors reviews cybersecurity risks on an annual basis, including discussing with management and members of the ESSC our strategy surrounding prevention, detection, mitigation, and remediation of potential security threats. While we have experienced cybersecurity incidents and expect to continue to be subject to such incidents, to date, we have not experienced any cybersecurity incidents that have materially affected our business, financial condition, or results of operations. However, we are subject to ongoing risks from cybersecurity threats that could materially affect us, including our business, financial condition, or results of operations, as further described in Part I, Item 1A, "Risk Factors" of this Annual Report on Form 10-K.

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, or aware of, any claims or actions that would have a material adverse effect on our business, financial condition, or results of operations. From time to time, we may be named as a defendant in legal actions or otherwise be subject to claims arising from our normal business activities. We believe that we have obtained adequate insurance coverage and/or rights to indemnification in connection with potential legal proceedings that may arise.

Item 4. Mine Safety Disclosures

Not applicable.



Purchases of Equity Securities by the Issuer and Affiliated Purchasers

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.

We did not make any repurchases under the program during the quarter ended December 31, 2023. 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.

Item 6. [Reserved]

Item 8. Financial Statements and Supplementary Data**SPS Commerce, Inc. and Subsidiaries Consolidated Financial Statements**

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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 20, 2024



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, 2023, 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, 2023 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, 2023, our scope of the assessment of our internal control over financial reporting excluded TIE Kinetix, which was acquired in September 2023. Our assessment of the effectiveness of internal control over financial reporting as of December 31, 2024 will include TIE Kinetix.

Excluding net intangible assets and goodwill, TIE Kinetix represented less than 5% of our consolidated assets as of December 31, 2023 and less than 5% of our consolidated revenues for the year ended December 31, 2023.

The effectiveness of our internal control over financial reporting as of December 31, 2023 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 three months ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Insider Adoption or Termination of Trading Arrangements

During the three months ended December 31, 2023, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified, or terminated any contract, instruction, or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable.

<i>Exhibit Number</i>	<i>Exhibit Description</i>	<i>Incorporated By Reference</i>			
		<i>Form</i>	<i>Date of First Filing</i>	<i>Exhibit Number</i>	<i>Filed Herewith</i>
10.18	Non-Employee Director Compensation Summary**				X
21.1	Subsidiaries of the registrant				X
23.1	Consent of KPMG LLP				X
24.1	Power of Attorney (included on signature page)				X
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended				X
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended				X
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
97	SPS Commerce, Inc. Required Compensation Recovery Policy, effective October 2, 2023				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, 2023, 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 20, 2024

SPS COMMERCE, INC.

By: /s/ CHADWICK COLLINS

Chadwick Collins

Chief Executive Officer

Each of the undersigned hereby appoints Chadwick Collins 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 20, 2024.

Name and Signature	Title
<u>/s/ CHADWICK COLLINS</u> Chadwick Collins	<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/ ARCHIE BLACK</u> Archie Black	<i>Director</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>

Executive Officers

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

Board of Directors

Archie Black
Chad Collins
James Ramsey
Marty Réaume
Tami Reller
Phil Soran
Anne Sempowski Ward
Sven Wehrwein

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Market Listing

Nasdaq Global Market Symbol: SPSC

Annual Meeting

Thursday, May 16, 2024

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shareowneronline.com

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Legal Counsel

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