Fellow Shareowners,

Our momentum from a strong 2020 continued in 2021. Revenues were up 16% year-over-year to a record $168 million, our fastest annual growth since 2015, as we continued to see strong demand for our solutions from brands and retailers seeking to improve and accelerate their e-commerce operations. And, despite making significant investments in our business designed to propel future growth, we also achieved record Adjusted EBITDA[1] of $38 million and operating cash flow of $34 million, swelling our debt-free balance sheet to over $100 million by year end. We've more than doubled our cash on hand since mid-2019, a testament to the efficiency of our model and our financial discipline.

In contrast to many cash-consuming companies in the technology sector, we face the opposite "problem" – deciding what to do with our accumulation of surplus capital. More on that in a moment. But I would first like to briefly highlight our progress over the last few years, as our strategic focus on end markets with better unit economics (specifically, larger customers, especially brands) has yielded solid growth with dramatically improved profitability – in fact, ~70% of our incremental revenue growth since 2014 has fallen to our bottom line:

in millions

	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	84.9	100.6	113.2	122.5	131.2	130	145.1	167.7
Adj. EBITDA	-19.5	1.4	7.4	4.6	9.8	20.2	36.3	37.9

To say that I am proud of our team for our performance over the last two years, in particular, is an understatement. While we were well-positioned and adapted very well to the COVID-induced e-commerce tailwinds during 2020, in many respects those tailwinds "happened to" us. In contrast, 2021 was about demonstrating that we could sustain that growth, and in this regard our team shined like never before, delivering *faster* revenue growth while making investments *and* maintaining very healthy margins – all while continuing to work remotely and dealing with the constantly-shifting challenges of living through a global pandemic. I cannot adequately express how grateful I am to lead so many hard-working and dedicated colleagues around the world.

On Growth, Profitability, Surplus Cash, & Capital Allocation

If you gave me $1.00 and I promised to give you back $0.90 next year, you'd be forgiven for asking for your dollar back immediately. Alternatively, if I promised to give you $1.20 next year, for a 20% return, you'd probably consider that to be an attractive proposition, assuming you believe I'm as good as my word. You'd probably encourage me to accept *more* dollars.

[1] Adjusted EBITDA is equal to net income adjusted for income tax expense, interest expense, depreciation and amortization, stock-based compensation and certain one-time costs. Adjusted EBITDA is not calculated in accordance with accounting principles generally accepted in the United States, or GAAP. We include a description of this measure and its limitations in our enclosed Annual Report on Form 10-K. Please see the section entitled "Adjusted EBITDA" in the annual report for more information and for a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

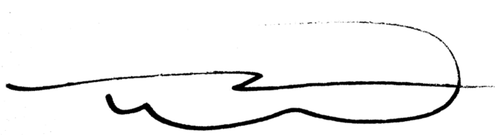
Businesses are expected to be a lot of things – they have "stakeholders" after all – but at the end of the day, the fundamental purpose of a business is simple: to turn money into more money, at least eventually. And yet however obvious this point is, in my experience surprisingly few management teams – especially in the technology sector – focus on trying to generate attractive returns on invested capital. During periods of market excess in particular, objective intrinsic value metrics tend to give way to less meaningful shortcuts like "revenue multiples," and these market dynamics in turn reward highly aggressive behavior by managements in the pursuit of growth at virtually all costs. Capital returns are an afterthought, and survivorship bias only encourages more of this behavior until there are no more greater fools to be found and the music, inevitably, stops.

As an investor, you deserve to know how your CEO is wired. I am not wired to lose buckets of "other people's money" for years on end in pursuit of growth at any cost, or to think in terms of revenue multiples. I *am* wired to think in terms of capital allocation and free cash flow per share, and I believe that the only reliable way to grow long-term shareholder value is to generate returns on invested capital that are comfortably above our cost of capital while keeping dilution, and existential risk, in check.

That's not to say it's easy, or that we won't make mistakes or take risks. In an industry as dynamic as e-commerce, we *have* to take risks to remain relevant, and projecting future capital returns from a new product idea or from the acquisition of an early stage company inherently involves a lot of uncertainty; that's part of the reason many managers in our industry don't even bother trying to project returns on capital. But, at ChannelAdvisor, we *do* put the effort into having a framework for capital returns and running our major investment decisions through that framework. It forces us to pressure test our assumptions, and it gives us some guideposts to measure our progress along the way. Mistakes will be made, but at least we'll *realize* they're mistakes. We learn from them, and get better.

A natural consequence of this approach is that we won't swing at every pitch, and it's unlikely we'll ever be the fastest-growing company in the sector. We place a lot of value on the *durability* of our business, not only for our investors' sake but for the sake of our customers and our employees. That's part of the reason we've been an industry leader for over 20 years. And so, while we are biased towards growth, we will also remain disciplined, even if the result is we continue to accumulate cash on the balance sheet. We are willing to be patient, and wait – as long as necessary – for compelling opportunities before deploying your surplus capital.

Thank you for your continued support.



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