



SUPPLEMENTAL FINANCIAL INFORMATION

DECEMBER 31, 2018

A modern office interior with large glass windows and colorful geometric wall art. The text "BUSINESS METRICS AND FINANCIALS" is overlaid in white. The background shows a bright, open-plan office space with people working at desks. The wall on the right features large, colorful geometric shapes in shades of blue, orange, pink, and yellow. The floor is polished and reflective. An "EXIT" sign is visible above the glass entrance.

BUSINESS METRICS AND FINANCIALS

Non-GAAP Measures

This presentation contains non-GAAP measures, including non-GAAP gross profit, non-GAAP costs and operating expenses, non-GAAP operating income, non-GAAP net income, and Adjusted EBITDA. ChannelAdvisor believes that the use of these non-GAAP measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the company's financial measures with other software companies, many of which present a similar non-GAAP financial measure to investors, and that it allows for greater transparency with respect to key metrics used by management in its financial and operational decision-making.

Non-GAAP measures should be considered in addition to results and guidance prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. Reconciliation tables of the most comparable GAAP financial measures to the non-GAAP financial measures used in this presentation are included in the Appendices section at the end of this presentation. ChannelAdvisor urges investors to review the reconciliations and not to rely on any single financial measure to evaluate the company's business. In addition, other companies, including companies in our industry, may calculate similarly named non-GAAP measures differently than we do, which limits their usefulness in comparing our financial results with theirs.

Key Financial and Operating Metrics Footnotes

A. Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on reported total revenue and/or reported loss from operations or net loss for the periods.

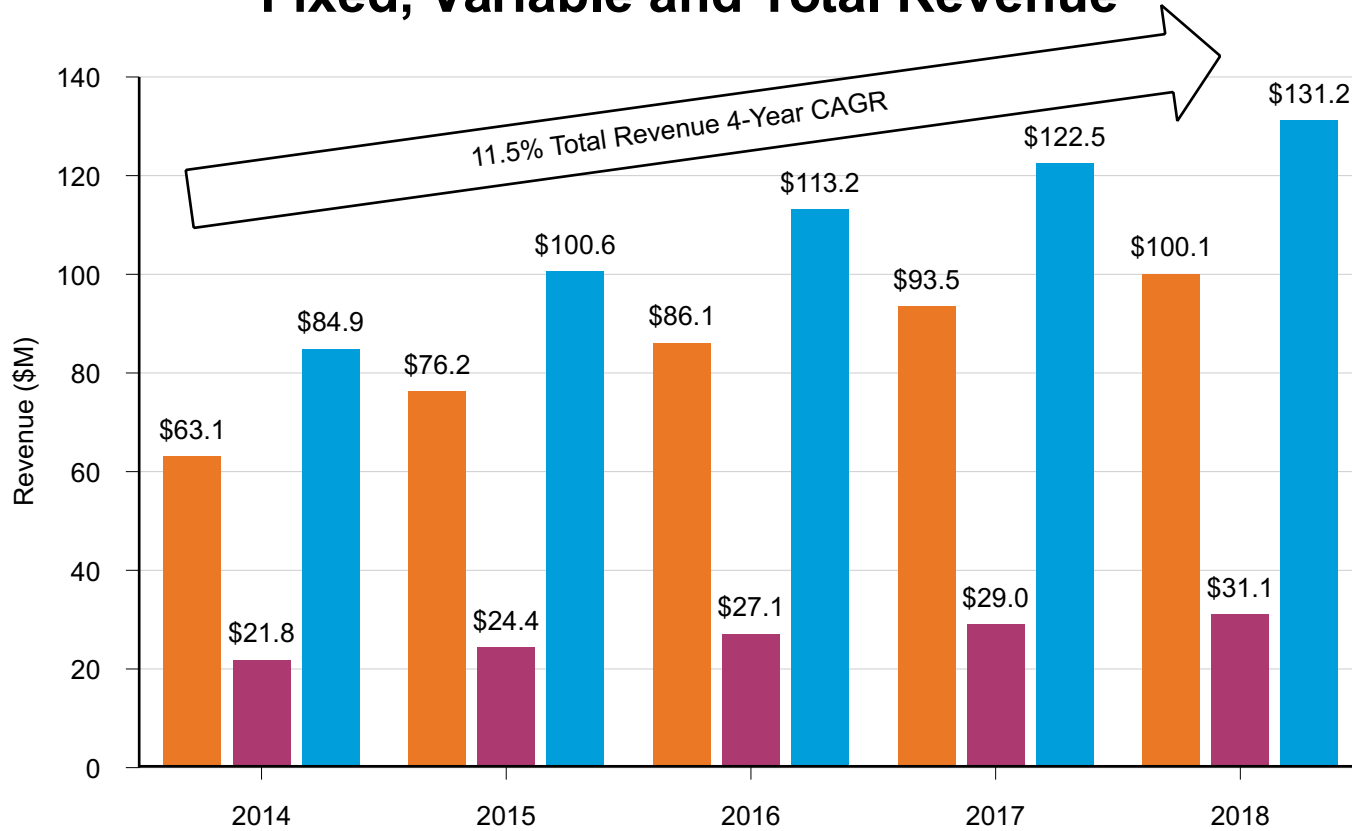
B. *Adjusted EBITDA* is defined as net loss plus or minus: income tax expense (benefit), interest (income) expense, net, depreciation and amortization, and stock-based compensation. For some periods, non-recurring costs, such as: severance and related costs; a one-time charge for VDAs and settlement of an audit related to sales taxes; headquarters relocation and related costs; or acquisition-related costs have also been excluded.

C. *Average revenue per customer (ARPC)* is revenue for a particular period divided by the average monthly number of customers during the period, which is calculated by taking the sum of the number of customers (D) at the end of each month in the period and dividing by the number of months in the period.

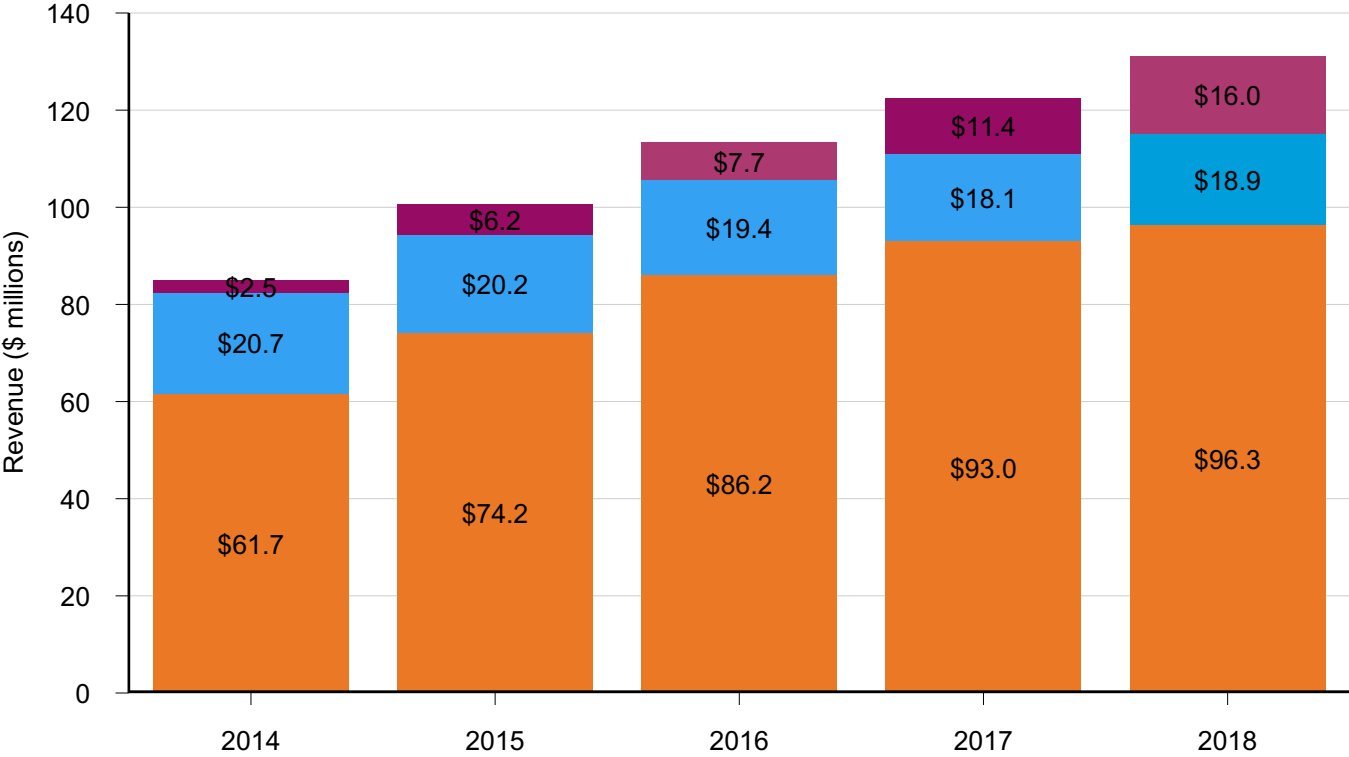
D. *Number of customers* includes all customers who subscribe to at least one of ChannelAdvisor's solutions.

E. *Committed annual contract value (ACV)* as of a specific date is the fixed amount of annual fees for which a customer has a minimum contractual commitment as of that date and does not include any potential variable fees.

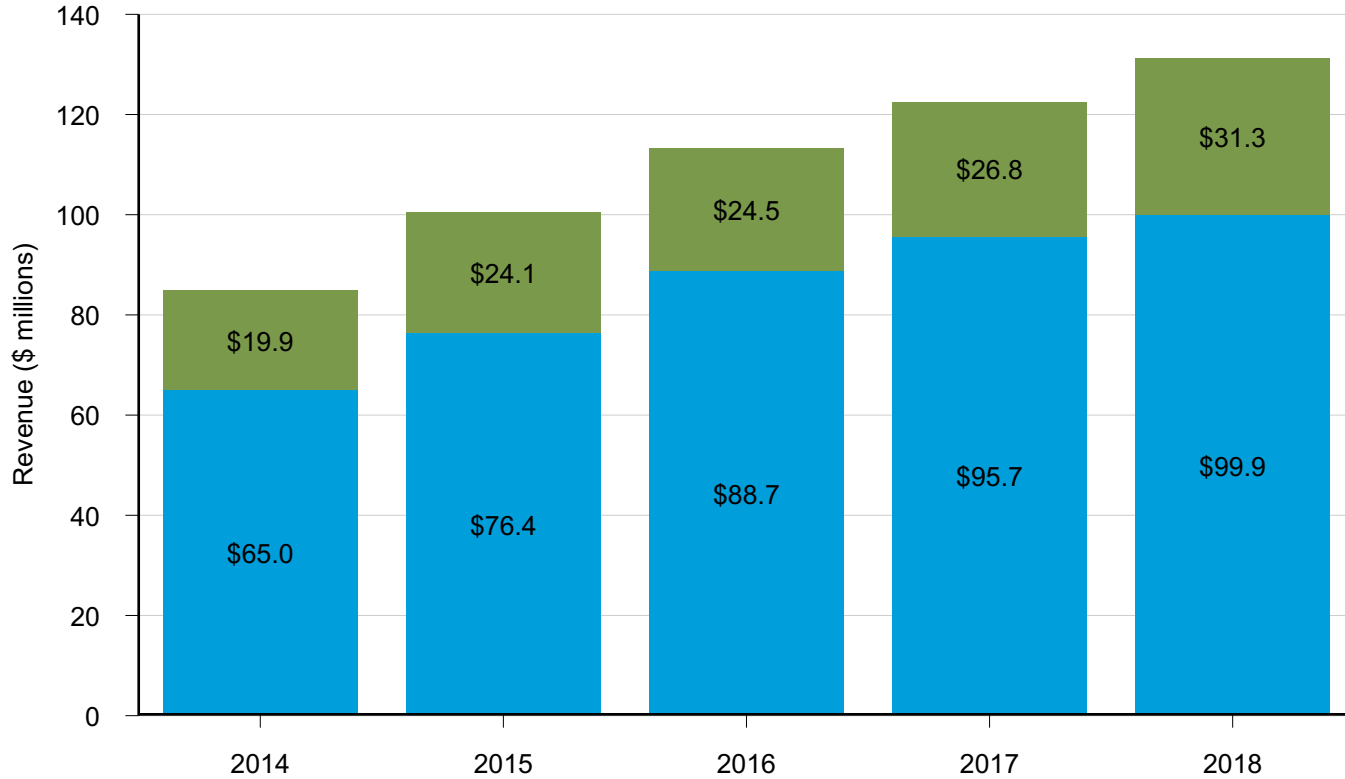
Fixed, Variable and Total Revenue



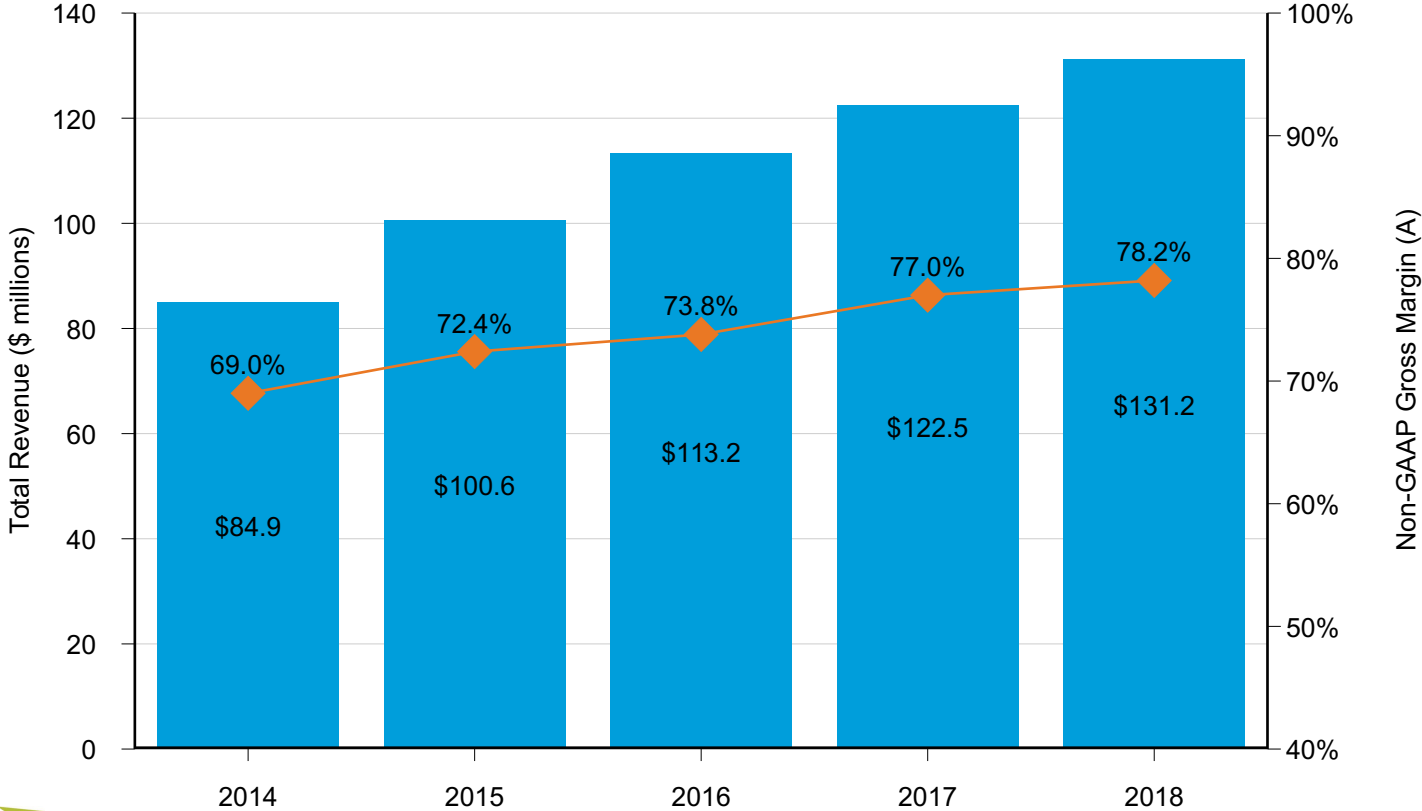
Annual Revenue by Product



Annual Revenue by Geography

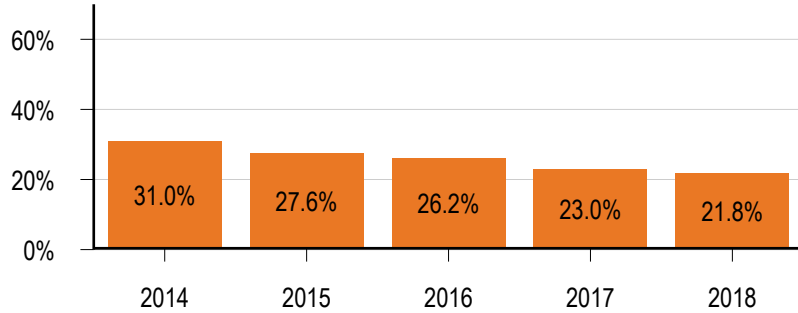


Non-GAAP Gross Margin

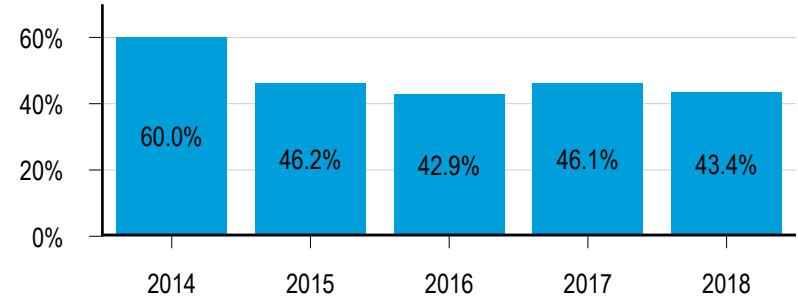


Non-GAAP Operating Expenses as a Percentage of Revenue

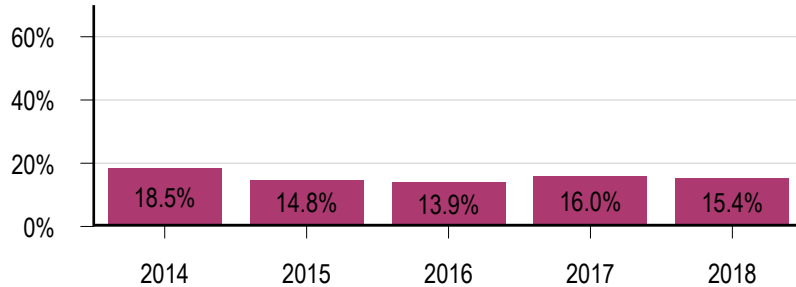
Cost of Revenue (A)



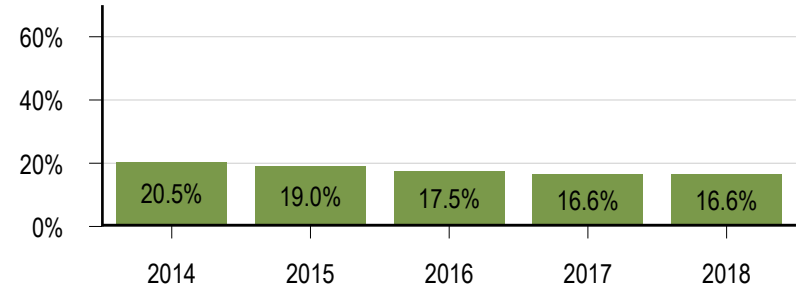
Sales and Marketing (A)



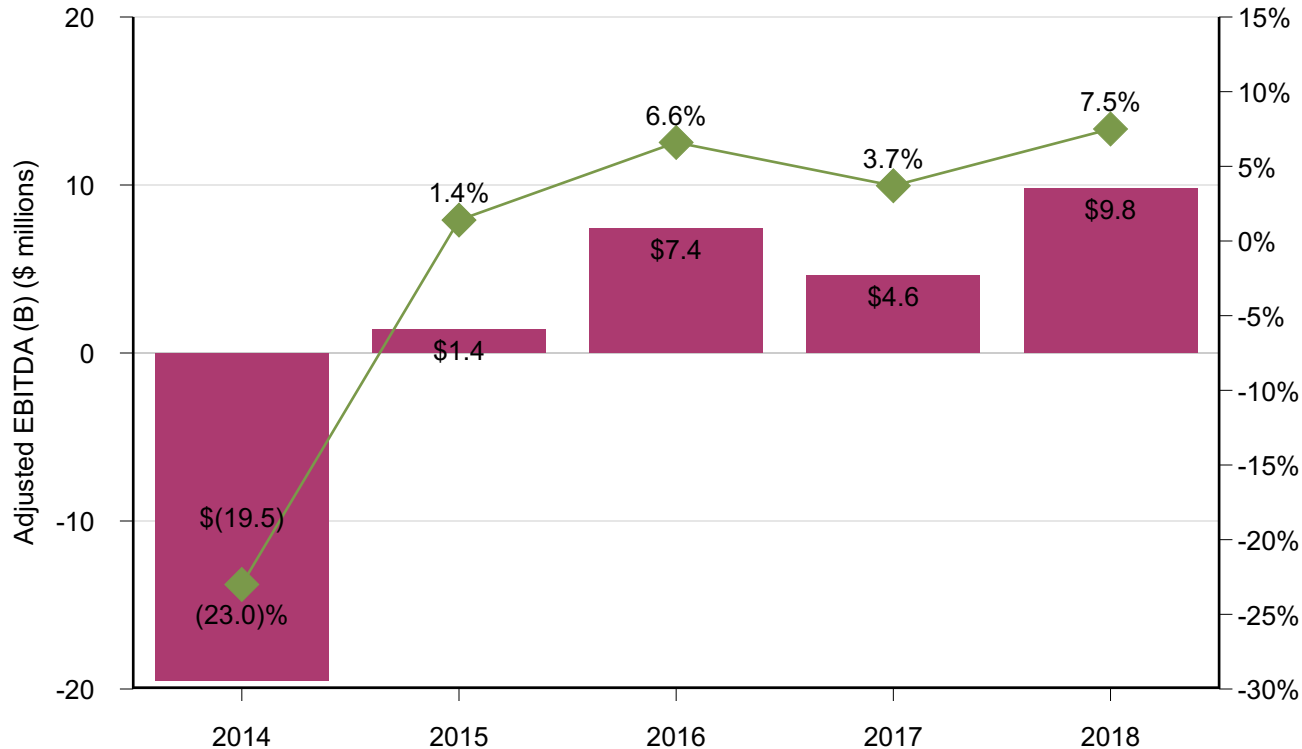
Research and Development



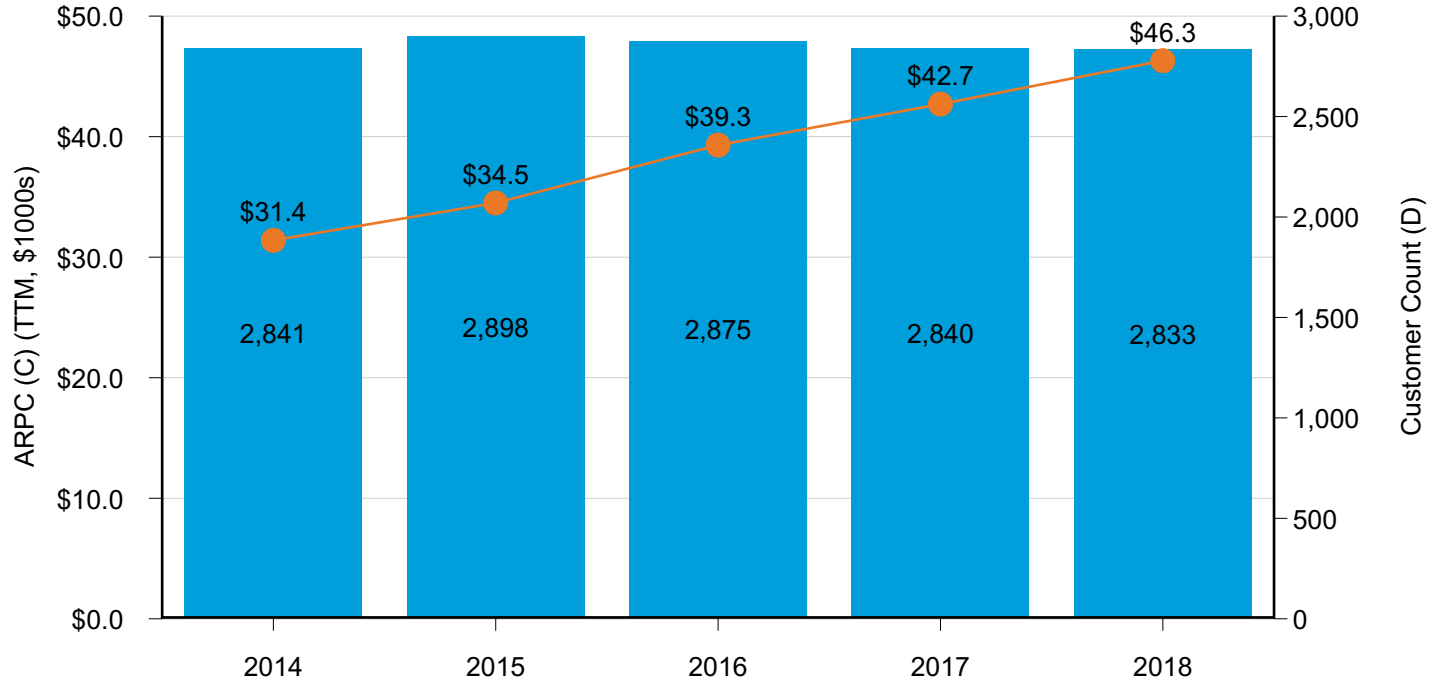
General and Administrative



Adjusted EBITDA and Adjusted EBITDA as a Percentage of Revenue

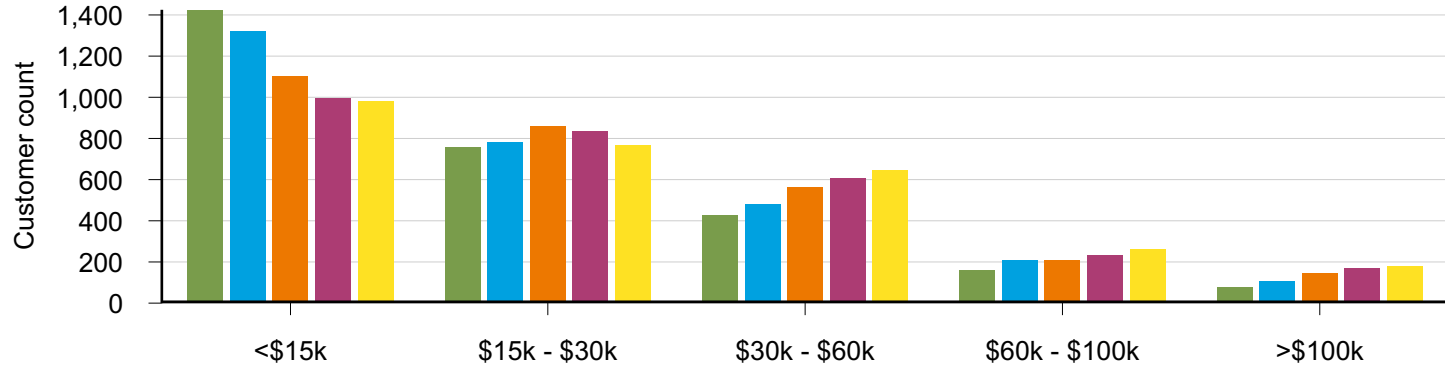


Average Revenue Per Customer on a Trailing Twelve Months Basis Versus Customer Count

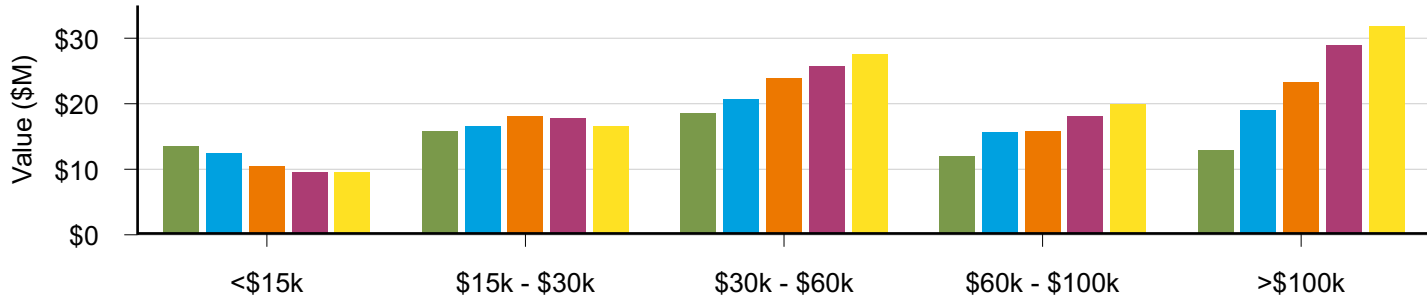


● Average Revenue Per Customer (TTM \$1000s) ■ Customer Count

Customer Count by Committed Annual Contract Value (ACV) (D, E)



Committed ACV by Customer Segment (E)



Quarterly Metrics

	QTD December 31, 2018	QTD September 30, 2018	QTD June 30, 2018	QTD March 31, 2018	QTD December 31, 2017	QTD September 30, 2017	QTD June 30, 2017	QTD March 31, 2017	
Revenue (\$000s)	Marketplaces (A)	\$ 24,690	\$ 23,965	\$ 23,773	\$ 23,893	\$ 25,283	\$ 22,862	\$ 22,842	\$ 22,033
	Digital Marketing	5,492	4,577	4,505	4,345	5,158	4,400	4,321	4,197
	Other (A)	4,607	3,782	4,382	3,207	3,664	2,835	2,841	2,099
	Total Revenue	\$ 34,789	\$ 32,324	\$ 32,660	\$ 31,445	\$ 34,105	\$ 30,097	\$ 30,004	\$ 28,329
	Total Revenue Y/Y Change	2.0 %	7.4 %	8.9 %	11.0 %	7.4 %	7.5 %	10.7 %	7.5 %
	Fixed Revenue	\$ 25,658	\$ 25,706	\$ 24,766	\$ 23,965	\$ 24,937	\$ 23,880	\$ 22,581	\$ 22,107
	Percent of Total Revenue	73.8 %	79.5 %	75.8 %	76.2 %	73.1 %	79.3 %	75.3 %	78.0 %
	Fixed Revenue Y/Y Change	2.9 %	7.6 %	9.7 %	8.4 %	10.6 %	6.9 %	7.8 %	9.2 %
	Variable Revenue	\$ 9,131	\$ 6,618	\$ 7,894	\$ 7,480	\$ 9,168	\$ 6,217	\$ 7,423	\$ 6,222
	Percent of Total Revenue	26.2 %	20.5 %	24.2 %	23.8 %	26.9 %	20.7 %	24.7 %	22.0 %
Variable Revenue Y/Y Change	(0.4)%	6.5 %	6.3 %	20.2 %	(0.4)%	9.8 %	20.7 %	2.0 %	
Operating Metrics	ARPC (TTM basis) (C)	\$ 46,286	\$ 46,073	\$ 45,029	\$ 43,920	\$ 42,693	\$ 41,748	\$ 41,029	\$ 40,051
	ARPC Y/Y Change	8.4 %	10.4 %	9.7 %	9.7 %	8.5 %	8.7 %	10.9 %	12.0 %
	Total Customers (D)	2,833	2,815	2,829	2,855	2,840	2,902	2,906	2,904
	Total Customers Y/Y Change	(0.2)%	(3.0)%	(2.6)%	(1.7)%	(1.2)%	0.8 %	1.0 %	0.8 %
Financial Metrics (\$000s, except shares, EPS or as noted)	Non-GAAP Gross Profit	\$ 27,526	\$ 25,016	\$ 25,777	\$ 24,309	\$ 27,239	\$ 23,086	\$ 23,099	\$ 20,960
	Non-GAAP Gross Margin	79.1 %	77.4 %	78.9 %	77.3 %	79.9 %	76.7 %	77.0 %	74.0 %
	Non-GAAP Operating Income (Loss)	\$ 3,782	\$ 733	\$ (418)	\$ (418)	\$ 2,379	\$ (1,281)	\$ (600)	\$ (2,590)
	Non-GAAP Net Income (Loss)	\$ 3,769	\$ 687	\$ (448)	\$ (424)	\$ 2,354	\$ (1,215)	\$ (617)	\$ (2,593)
	GAAP Diluted Weighted Average Common Shares Outstanding	28,731,489	28,867,276	27,180,435	26,739,331	28,023,912	26,439,830	26,380,031	26,056,881
	Non-GAAP Diluted EPS	\$ 0.13	\$ 0.02	\$ (0.02)	\$ (0.02)	\$ 0.08	\$ (0.05)	\$ (0.02)	\$ (0.10)
	Adjusted EBITDA (B)	\$ 5,374	\$ 2,305	\$ 1,060	\$ 1,043	\$ 3,893	\$ 360	\$ 1,116	\$ (800)
	Adjusted EBITDA as a Percentage of Revenue	15.4 %	7.1 %	3.2 %	3.3 %	11.4 %	1.2 %	3.7 %	(2.8)%
Cash and Cash Equivalents at Period End (\$M)	\$ 47.2	\$ 48.9	\$ 50.9	\$ 54.7	\$ 53.4	\$ 54.2	\$ 57.9	\$ 63.4	

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EXIT

GAAP to NON-GAAP RECONCILIATION



Reconciliation of GAAP Net Loss to Adjusted EBITDA

	2014	2015	2016	2017	2018
Net loss	\$ (34,514)	\$ (20,951)	\$ (8,007)	\$ (16,557)	\$ (7,601)
Adjustments:					
Interest (income) expense, net	209	184	1	(222)	(510)
Income tax expense (benefit)	41	(185)	(5,658)	284	614
Depreciation and amortization expense	6,264	8,793	7,838	6,578	6,094
Total adjustments, net	6,514	8,792	2,181	6,640	6,198
EBITDA	(28,000)	(12,159)	(5,826)	(9,917)	(1,403)
Stock-based compensation expense	7,981	11,837	13,262	11,947	10,598
Non-recurring severance and related costs	—	656	—	—	587
One-time charge for VDAs related to sales taxes	—	—	—	2,539	—
Headquarters relocation and related costs	—	1,109	—	—	—
Acquisition-related costs	487	—	—	—	—
Adjusted EBITDA	\$ (19,532)	\$ 1,443	\$ 7,436	\$ 4,569	\$ 9,782

GAAP Statement of Operations - Quarterly

	QTD	QTD	QTD	QTD	QTD	QTD	QTD	QTD	QTD
<i>(unaudited)</i> <i>(in thousands, except share and per share amounts)</i>	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Revenue	\$ 34,789	\$ 32,324	\$ 32,660	\$ 31,445	\$ 34,105	\$ 30,097	\$ 30,004	\$ 28,329	\$ 31,763
Cost of revenue (A)	7,567	7,606	6,975	7,353	6,953	7,309	7,144	7,696	7,891
Gross profit	27,222	24,718	25,685	24,092	27,152	22,788	22,860	20,633	23,872
Operating expenses:									
Sales and marketing (A)	14,295	14,921	15,974	14,890	15,350	14,805	15,003	15,185	12,680
Research and development	5,370	5,350	5,737	5,902	5,990	5,760	5,147	4,971	4,659
General and administrative	6,937	6,688	6,708	6,451	6,248	6,344	6,678	8,530	6,311
Total operating expenses	26,602	26,959	28,419	27,243	27,588	26,909	26,828	28,686	23,650
Income (loss) from operations	620	(2,241)	(2,734)	(3,151)	(436)	(4,121)	(3,968)	(8,053)	222
Other income (expense):									
Interest income (expense), net	159	120	106	125	73	67	54	28	10
Other income (expense), net	7	22	(1)	(19)	(23)	36	13	57	36
Total other income (expense)	166	142	105	106	50	103	67	85	46
Income (loss) before income taxes	786	(2,099)	(2,629)	(3,045)	(386)	(4,018)	(3,901)	(7,968)	268
Income tax expense (benefit)	179	188	135	112	75	37	84	88	(5,567)
Net income (loss)	\$ 607	\$ (2,287)	\$ (2,764)	\$ (3,157)	\$ (461)	\$ (4,055)	\$ (3,985)	\$ (8,056)	\$ 5,835
Net income (loss) per share:									
Basic	\$ 0.02	\$ (0.08)	\$ (0.10)	\$ (0.12)	\$ (0.02)	\$ (0.15)	\$ (0.15)	\$ (0.31)	\$ 0.23
Diluted	\$ 0.02	\$ (0.08)	\$ (0.10)	\$ (0.12)	\$ (0.02)	\$ (0.15)	\$ (0.15)	\$ (0.31)	\$ 0.21
Weighted average common shares outstanding:									
Basic	27,330,983	27,294,134	27,180,435	26,739,331	26,583,657	26,439,830	26,380,031	26,056,881	25,878,260
Diluted	28,731,489	27,294,134	27,180,435	26,739,331	26,583,657	26,439,830	26,380,031	26,056,881	27,577,027
Stock-based compensation by expense category is as follows:									
Cost of revenue (A)	\$ 304	\$ 298	\$ 92	\$ 217	\$ 87	\$ 298	\$ 239	\$ 327	\$ 344
Sales and marketing (A)	661	1,003	728	752	978	931	1,172	746	1,098
Research and development	567	581	355	649	601	588	503	568	477
General and administrative	1,043	1,092	1,141	1,115	1,149	1,023	1,454	1,283	1,136
Total stock-based compensation	\$ 2,575	\$ 2,974	\$ 2,316	\$ 2,733	\$ 2,815	\$ 2,840	\$ 3,368	\$ 2,924	\$ 3,055
Depreciation and amortization by expense category is as follows:									
Cost of revenue (A)	\$ 939	\$ 919	\$ 875	\$ 877	\$ 920	\$ 949	\$ 1,066	\$ 1,084	\$ 1,165
Sales and marketing (A)	226	224	214	220	227	267	256	248	253
Research and development	91	92	90	98	100	102	111	111	113
General and administrative	329	315	300	285	290	287	270	290	346
Total depreciation and amortization	\$ 1,585	\$ 1,550	\$ 1,479	\$ 1,480	\$ 1,537	\$ 1,605	\$ 1,703	\$ 1,733	\$ 1,877

Non-GAAP Statement of Operations - Quarterly (see Non-GAAP reconciliation on following page)

	QTD	QTD	QTD	QTD	QTD	QTD	QTD	QTD	QTD
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
<i>(unaudited)</i> <i>(in thousands)</i>									
Revenue	\$ 34,789	\$ 32,324	\$ 32,660	\$ 31,445	\$ 34,105	\$ 30,097	\$ 30,004	\$ 28,329	\$ 31,763
Cost of revenue (A)	7,263	7,308	6,883	7,136	6,866	7,011	6,905	7,369	7,547
Gross profit	27,526	25,016	25,777	24,309	27,239	23,086	23,099	20,960	24,216
Operating expenses:									
Sales and marketing (A)	13,634	13,918	15,246	14,138	14,372	13,874	13,831	14,439	11,582
Research and development	4,803	4,769	5,382	5,253	5,389	5,172	4,644	4,403	4,182
General and administrative	5,307	5,596	5,567	5,336	5,099	5,321	5,224	4,708	5,175
Total operating expenses	23,744	24,283	26,195	24,727	24,860	24,367	23,699	23,550	20,939
Income (loss) from operations	3,782	733	(418)	(418)	2,379	(1,281)	(600)	(2,590)	3,277
Other income (expense):									
Interest income (expense), net	159	120	106	125	73	67	54	28	10
Other income (expense), net	7	22	(1)	(19)	(23)	36	13	57	36
Total other income (expense)	166	142	105	106	50	103	67	85	46
Income (loss) before income taxes	3,948	875	(313)	(312)	2,429	(1,178)	(533)	(2,505)	3,323
Income tax expense (benefit)	179	188	135	112	75	37	84	88	(5,567)
Net income (loss)	\$ 3,769	\$ 687	\$ (448)	\$ (424)	\$ 2,354	\$ (1,215)	\$ (617)	\$ (2,593)	\$ 8,890

GAAP to Non-GAAP Reconciliation - Quarterly

	QTD	QTD	QTD	QTD	QTD	QTD	QTD	QTD	QTD
<i>(unaudited)</i> <i>(in thousands)</i>	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
GAAP Gross profit as reported	\$ 27,222	\$ 24,718	\$ 25,685	\$ 24,092	\$ 27,152	\$ 22,788	\$ 22,860	\$ 20,633	\$ 23,872
Add: Stock-based compensation - Cost of revenue (A)	304	298	92	217	87	298	239	327	344
Non-GAAP Gross profit	\$ 27,526	\$ 25,016	\$ 25,777	\$ 24,309	\$ 27,239	\$ 23,086	\$ 23,099	\$ 20,960	\$ 24,216
GAAP Income (loss) from operations as reported	\$ 620	\$ (2,241)	\$ (2,734)	\$ (3,151)	\$ (436)	\$ (4,121)	\$ (3,968)	\$ (8,053)	\$ 222
Add: Stock-based compensation - Cost of revenue (A)	304	298	92	217	87	298	239	327	344
Add: Stock-based compensation - S&M (A)	661	1,003	728	752	978	931	1,172	746	1,098
Add: Stock-based compensation - R&D	567	581	355	649	601	588	503	568	477
Add: Stock-based compensation - G&A	1,043	1,092	1,141	1,115	1,149	1,023	1,454	1,283	1,136
Add: Non-recurring severance and related costs	587	—	—	—	—	—	—	—	—
Add: One-time charge for VDAs related to sales taxes	—	—	—	—	—	—	—	2,539	—
Non-GAAP Income (loss) from operations	\$ 3,782	\$ 733	\$ (418)	\$ (418)	\$ 2,379	\$ (1,281)	\$ (600)	\$ (2,590)	\$ 3,277
GAAP Net income (loss) as reported	\$ 607	\$ (2,287)	\$ (2,764)	\$ (3,157)	\$ (461)	\$ (4,055)	\$ (3,985)	\$ (8,056)	\$ 5,835
Add: Stock-based compensation - Cost of revenue (A)	304	298	92	217	87	298	239	327	344
Add: Stock-based compensation - S&M (A)	661	1,003	728	752	978	931	1,172	746	1,098
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Add: Stock-based compensation - G&A	1,043	1,092	1,141	1,115	1,149	1,023	1,454	1,283	1,136
Add: Non-recurring severance and related costs	587	—	—	—	—	—	—	—	—
Add: One-time charge for VDAs related to sales taxes	—	—	—	—	—	—	—	2,539	—
Non-GAAP Net income (loss)	\$ 3,769	\$ 687	\$ (448)	\$ (424)	\$ 2,354	\$ (1,215)	\$ (617)	\$ (2,593)	\$ 8,890