

Fellow Shareowners,

2020, our twentieth year in business, was a banner year for ChannelAdvisor, aided by the acceleration of e-commerce during the COVID-19 pandemic, the continued expansion of our brands customer base, and the investments we've made in platform innovation, sales capacity, and enhancements to our service capabilities.

Total revenues for the year exceeded \$145 million, up 12% from 2019, and Adjusted EBITDA<sup>1</sup> exceeded \$36 million, up 80% from 2019. Our strong execution and financial performance in 2020, including operating cash flow of more than \$34 million, gave us the flexibility to step up our investments in several key areas to help us deliver continued long-term growth. One of those investments was expanding our capabilities through our acquisition of BlueBoard, a powerful analytics platform that helps brands better understand their presence on the digital shelf. BlueBoard's platform complements our other solutions for brands very well, and we're excited to welcome BlueBoard's team and customers to ChannelAdvisor.

Much has been written about the acceleration of e-commerce due to COVID-19. We share the view that consumer habits have likely changed permanently and that a significant proportion of the shift to digital and e-commerce is here to stay. We saw the immediate effects not only in the form of a significant increase in gross merchandise value, or GMV, processed through our platform throughout most of 2020, but also increased urgency and investment on the part of our customers and prospects. It's clear that many organizations felt the need to accelerate their digital initiatives, and we have worked hard to capitalize on this moment.

In particular, we believe ongoing product innovation, expanding our business with brands, and broadening our strategic partnerships continue to be the key elements of our strategy to drive our growth. We're pleased that brands represented about one-third of our revenues in 2020, and represented a substantial majority of our bookings for the year, setting us up for continued momentum into 2021. To help support our growing brands customer base, we intend to make considerable investments in our platform, grow our network of marketplaces, and expand our ability to deliver an enterprise level of service to better help our customers navigate their digital transformation. We believe these investments will reinforce and extend our position as a market leader globally.

2020 was also a year that fundamentally altered how we support and engage our employees and communities. We were early to move to a virtual work environment, putting employee safety and well-being first, and found that productivity and engagement actually went up. Remote and flexible work arrangements will be a permanent part of our culture going forward because they work. And, like many leaders, I spent hours in listening sessions with various groups of employees around the world in the wake of last year's racial unrest, and I was deeply touched by the stories I heard. We decided that ChannelAdvisor, always a model of inclusion, could do more. And so we established our diversity, equity, and inclusion (DE&I) task force with a mission to make long-lasting, impactful changes to better support all of our employees and to advocate more strongly for policies and programs that support equal justice and opportunity.

As we enter our third decade, we are proud of what we have built, but we're also just beginning. E-commerce is a massive market, and coming off a record year, we believe we are better positioned than ever to drive continued growth by providing exceptional value for our customers.



David Spitz  
CEO

<sup>1</sup> 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.