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GSI Commerce Reports Fiscal 2009 Year and Fourth Quarter Operating Results

KING OF PRUSSIA, Pa., Feb. 10, 2010 – GSI Commerce Inc. (Nasdaq: GSIC) today announced its financial results for its fiscal 2009 year and fourth quarter ended Jan. 2, 2010.

Fiscal 2009 Fourth Quarter Compared to Fiscal 2008 Fourth Quarter

- Net revenues were \$430.2 million compared to \$391.4 million.
- Income from operations was \$47.0 million compared to \$42.5 million.
- Non-GAAP income from operations was \$75.7 million compared to \$68.7 million.
- Net income was \$23.6 million or \$0.38 per diluted share compared to net income of \$23.1 million or \$0.45 per diluted share.

Fiscal Year 2009 Compared to Fiscal Year 2008

- Net revenues were \$1.0 billion compared to \$966.9 million.
- Income from operations was \$10.3 million compared to a loss from operations of \$10.3 million.
- Non-GAAP income from operations was \$106.4 million compared to \$81.9 million.
- Net loss was \$11.0 million or \$0.21 per share compared to a net loss \$23.0 million or \$0.49 per share.
- Cash flow from operating activities was \$140.2 million compared to \$96.0 million.
- Free cash flow was \$97.2 million compared to \$38.8 million.

The definitions of non-GAAP net revenues, non-GAAP income from operations, free cash flow, and a discussion of the importance of these non-GAAP financial metrics to GSI's business, can be found under "Non-GAAP Financial Measures" provided later in this news release.

"Our strong fourth quarter capped a remarkable year's performance for the company as we grew our 2009 non-GAAP income from operations 30 percent to \$106.4 million and we achieved free cash flow of \$97.2 million, meaningfully exceeding the average analyst expectation of \$54.6 million," said Michael G. Rubin, chairman, president and CEO of GSI. "Our results reflect the secular growth of e-commerce and interactive marketing, the continued success of our proven business model and our excellent execution. I am confident in the overall strength of our business, the industry and the opportunities for continued growth in 2010 and beyond, supported by solid quarter to date trends."

Fiscal 2010 First Quarter and Year Guidance

The following forward-looking statements reflect GSI's expectations as of Feb. 10, 2010. Given the potential changes in general economic conditions and consumer spending, the growth rate of e-commerce and various other risk factors discussed in our forward-looking statements disclosure and in our public reports, actual results may differ materially.

The company provides the following guidance for fiscal 2010 first quarter:

- Net revenues are expected to be \$260.0 million.
 - Loss from operations is expected to be \$19.5 million.
 - Non-GAAP income from operations is expected to be \$10.0 million. ^(a)
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- (a) The following is a reconciliation of GAAP loss from operations to non-GAAP income from operations. Add to projected GAAP loss from operations of approximately \$19.5 million the following: depreciation of \$14.4 million, acquisition-related amortization of \$4.1 million, changes in fair value of deferred acquisition payments of \$2.1 million, stock-based compensation of \$6.9 million and acquisition-related expenses of \$2.0 million including transaction, due diligence and integration expenses, non-cash inventory valuation adjustments, and the cash portion of any acquisition earn-out payments recorded as compensation.

The company provides the following guidance for fiscal year 2010:

- Income from operations is expected to be \$21.4 million.
- Non-GAAP income from operations is expected to be \$135.0 million. This compares to the previous comfort level expressed by the company of \$130.0 million and includes start up expenses for a new business in the company's consumer engagement segment. ^(b)
- Capital expenditures are expected to be approximately \$60.0 million.

- (b) The following is a reconciliation of GAAP income from operations to non-GAAP income from operations. Add to projected GAAP income from operations of approximately \$21.4 million the following: depreciation of \$62.3 million, acquisition-related amortization of \$16.3 million, changes in fair value of deferred acquisition payments of \$8.3 million, stock-based compensation of \$23.7 million and acquisition-related expenses of \$3.0 million including transaction, due diligence and integration expenses, non-cash inventory valuation adjustments, and the cash portion of any acquisition earn-out payments recorded as compensation expense.

Conference Call Today

GSI has scheduled a conference call for 4:45 p.m. EST today to discuss the company's 2009 fiscal year and fourth quarter operating results and its expectations for future performance.

Live Conference Access:

- Phone – Dial 1-888-679-8034, passcode 59181936 by 4:30 p.m. EST today. For quicker access to the audio conference call, investors can pre-register for the conference call by going to: <https://www.theconferencingservice.com/prereg/key.process?key=PX74RELQB>.
- Web – Go to <http://www.gsicommerce.com>, and click on the webcast tab provided on the home page, or go directly to <http://phx.corporate-ir.net/playerlink.zhtml?c=66459&s=wm&e=2589969>, or go to <http://www.streetevents.com>, where the conference call will be broadcast live. Please allow at least 15 minutes to register, download and install any necessary audio software.

Conference Replays:

- Web – Go to <http://www.gsicommerce.com>, and click on the Webcast tab provided on the home page, or go directly to <http://phx.corporate-ir.net/playerlink.zhtml?c=66459&s=wm&e=2589969>. Access will remain available through March 12.

Non-GAAP Financial Measures

GSI's consolidated financial statements are prepared and presented in accordance with GAAP. To supplement our consolidated financial statements, in this release and on the conference call, we use the non-GAAP financial measures of non-GAAP net revenues, non-GAAP income from operations and free cash flow. We also discuss certain ratios that use those measures. The non-GAAP measures and ratios presented are not intended to be considered in isolation of, as a substitute for, or superior to our GAAP financial information. We have included reconciliations later in this release of the non-GAAP measures to the nearest GAAP measure.

We use these non-GAAP financial measures for financial and operational decision making and as a means to evaluate our performance. In our opinion, these non-GAAP measures provide meaningful supplemental information regarding our performance. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to our historical performance and liquidity. We believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making and (2) they are used by institutional investors and the analyst community to help them analyze the health of our business. These measures may be different from non-GAAP measures used by other companies.

Non-GAAP net revenues. We define non-GAAP net revenues as net revenues minus cost of revenues from product sales and marketing expenses. Marketing expenses principally include client revenue share expenses, net advertising and promotional expenses, subsidized shipping and handling expenses, and catalog expenses. We consider non-GAAP net revenues to be a useful metric for management and investors because (1) it provides a metric for our investors to understand and analyze our company and (2) it provides investors with one of the primary metrics used by the company for evaluation and decision making purposes. We and many of our investors view us as a technology and business services company. Since most technology and business service companies generate their revenues from service fees and do not have product sales, we believe that by subtracting cost of revenues from product sales and marketing expenses from our net revenues from product sales, the company and investors will be better able to assess our revenues on a basis that more closely approximates the net revenues of other technology and business services companies. Further, management uses this metric for evaluating the performance of our business, making operating decisions and for budgeting purposes.

Non-GAAP income from operations. We define non-GAAP income from operations as income from operations excluding stock-based compensation, depreciation and amortization expenses, and the following expenses relating to acquisitions: transaction expenses, due diligence expenses, integration expenses, non-cash inventory valuation adjustments, and the cash portion of any deferred acquisition payments recorded as compensation expense. Beginning with this release, we are also excluding changes in fair value of deferred acquisition payments. We consider non-GAAP income from operations to be a useful metric for management and investors because it excludes certain non-cash and non-operating items. Because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use when valuing equity awards under ASC 718 / SFAS 123R, we believe that viewing income from operations excluding stock-based compensation expense allows investors to make meaningful comparisons between our operating performance and those of other businesses. Because we are growing our business and operate in an emerging and changing industry, we believe that our level of capital expenditures and consequently the level of depreciation and amortization expense relative to our revenues could be meaningfully greater today than it will be over time. As a result, we believe it is useful supplemental information to view income from operations excluding depreciation and amortization expense as it provides a potential indicator of the future operating margin potential of the business. We believe the exclusion of the following acquisition-related expenses permits evaluation and a comparison of results for on-going business operations, and it is on this basis that management internally assesses the company's performance: transaction expenses, due diligence expenses, integration expenses, non-cash inventory valuation adjustments, the cash portion of any acquisition earn-out payments recorded as compensation expense, and changes in fair value of deferred acquisition payments.

Free cash flow. We define free cash flow as net cash provided by operating activities minus cash paid for fixed assets, including internal use software. We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that, after the acquisition of property and equipment, including information technology infrastructure, can be used for strategic opportunities, including investing in the business, making strategic acquisitions and strengthening the balance sheet. Analysis of free cash flow also facilitates management's comparisons of our operating results to the operating results of comparable companies. A limitation of

using free cash flow as a means for evaluating our performance is that free cash flow reflects changes in working capital which is impacted by short-term changes in cash flow and the seasonality of our business which may not be indicative of long-term performance. Another limitation of free cash flow is that it excludes fixed assets purchased and placed in service, but not paid for during the applicable period. Our management compensates for this limitation by providing supplemental information about capital expenditures accrued, but not paid for during the applicable periods on the face of the cash flow statement in our Forms 10-K and 10-Q.

About GSI Commerce

GSI Commerce[®] is a leading provider of services that enable e-commerce, multichannel retailing and interactive marketing for large, business-to-consumer (b2c) enterprises in the U.S. and internationally. We deliver customized solutions through an e-commerce platform, which is comprised of technology, fulfillment and customer care and is available on a modular basis or as part of an integrated, end-to-end solution. We offer a full suite of interactive marketing services through two divisions, TrueAction[™] and e-Dialog. Additionally, we provide brands and retailers a platform for online private sales through RueLaLa.com, and an online, off-price marketplace, SmartBargains.com.

Forward-Looking Statements

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements made in this release, other than statements of historical fact, are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “will,” “would,” “should,” “guidance,” “potential,” “opportunity,” “continue,” “project,” “forecast,” “confident,” “prospects,” “schedule” and similar expressions typically are used to identify forward-looking statements. Forward-looking statements are based on the then-current expectations, beliefs, assumptions, estimates and forecasts about the business of GSI Commerce. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied by these forward-looking statements. Factors which may affect GSI Commerce’s business, financial condition and operating results include the effects of changes in the economy, consumer spending, the financial markets and the industries in which GSI Commerce and its clients operate, changes affecting the Internet and e-commerce, the ability of GSI Commerce to develop and maintain relationships with strategic partners and suppliers and the timing of its establishment, extension or termination of its relationships with clients, the ability of GSI Commerce to timely and successfully develop, maintain and protect its technology, confidential and proprietary information and product and service offerings and execute operationally, the ability of GSI Commerce to attract and retain qualified personnel, and the ability of GSI Commerce to successfully integrate acquisitions of other businesses and the performance of acquired businesses. More information about potential factors that could affect GSI Commerce can be found in its most recent Form 10-K, Form 10-Q and other reports and statements filed by GSI Commerce with the SEC. GSI Commerce expressly disclaims any intent or obligation to update these forward-looking statements.

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