

SERVICESOURCE INTERNATIONAL, INC.

Form 10-Q

May 13, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-35108

SERVICESOURCE INTERNATIONAL, INC.

(Exact name of registrant as specified in our charter)

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Delaware (State or Other Jurisdiction of Incorporation or Organization)	No. 81-0578975 (I.R.S. Employer Identification No.)
634 Second Street	
San Francisco, California (Address of Principal Executive Offices)	94107 (Zip Code)
(415) 901-6030 (Registrant's Telephone Number, Including Area Code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Class	Outstanding
Common Stock	as of May 09, 2011 67,523,365

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****SERVICESOURCE INTERNATIONAL, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)****(Unaudited)**

	December 31, March 31, 2011	December 31, December 31, 2010
Assets		
Current assets:		
Cash	\$ 73,883	\$ 22,652
Accounts receivable, net	42,867	49,237
Advances to customers		18
Current portion of deferred income taxes	5,712	1,155
Prepaid expenses and other	3,238	3,326
Total current assets	125,700	76,388
Property and equipment, net	19,664	19,418
Goodwill	6,334	6,334
Deferred debt issuance costs, net	303	273
Deferred income taxes, net of current portion	27,658	3,780
Other assets, net	1,620	1,910
Total assets	\$ 181,279	\$ 108,103
Liabilities and Stockholders / Members Equity		
Current liabilities:		
Accounts payable	\$ 4,657	\$ 3,710
Accrued taxes	3,458	2,233
Accrued compensation and benefits	12,717	11,816
Accrued payables to customers		30,640
Other accrued liabilities	7,890	7,575
Current portion of long-term debt	640	2,279
Total current liabilities	29,362	58,253
Long-term debt, net of current portion	999	14,939
Other long-term liabilities	1,153	1,027
Total liabilities	31,514	74,219
Commitments and contingencies (Note 5)		
Stockholders / members equity:		
Common shares		34,161
Common stock	7	
Treasury shares / stock	(441)	(441)
Additional paid-in capital	127,961	

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Retained earnings	21,721	
Accumulated other comprehensive income	517	164
Total stockholders / members equity	149,765	33,884
Total liabilities and stockholders / members equity	\$ 181,279	\$ 108,103

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**SERVICESOURCE INTERNATIONAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(Unaudited)**

	Three Months Ended March 31,	
	2011	2010
Net revenue	\$ 46,122	\$ 32,176
Cost of revenue	26,136	20,771
Gross profit	19,986	11,405
Operating expenses		
Sales and marketing	11,105	7,604
Research and development	2,713	1,018
General and administrative	7,853	3,970
Total operating expenses	21,671	12,592
Loss from operations	(1,685)	(1,187)
Interest expense	(333)	(311)
Other expense, net	(525)	(95)
Loss before income taxes	(2,543)	(1,593)
Income tax (benefit) provision	(19,959)	177
Net income (loss)	\$ 17,416	\$ (1,770)
Net income (loss) per common share:		
Basic	\$ 0.30	\$ (0.03)
Diluted	0.28	\$ (0.03)
Weighted-average shares used in computing net income (loss) per common share:		
Basic	57,797	56,884
Diluted	63,096	56,884

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**SERVICESOURCE INTERNATIONAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS / MEMBERS EQUITY AND COMPREHENSIVE INCOME****(In thousands)****(Unaudited)**

	Common Shares		Common Stock		Treasury Shares/Stock		Additional	Accumulated		Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in Capital	Retained Earnings	Other Comprehensive Income	
Balances, December 31, 2010	57,627	\$ 34,161		\$	(121)	\$ (441)	\$	\$	\$ 164	\$ 33,884
Issuance of common stock in connection with initial public offering, net of issuance costs of \$10,181			9,791	1			87,728			87,729
Issuance of common stock from exercise of stock options	133	476								476
Stock-based compensation		2,241					205			2,446
Excess tax benefits from exercise of stock options							23			23
Comprehensive income:										
Net income		(4,305)						21,721		17,416
Foreign currency translation adjustments									353	353
Total comprehensive income										17,769
Conversion to corporation (Notes 1 and 6)	(57,760)	(32,573)	57,760	6			40,005			7,438