

SERVICESOURCE INTERNATIONAL, INC.

Form 10-Q

November 09, 2012

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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 September 30, 2012

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 Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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 as of October 29, 2012
Common Stock	75,557,632

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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)**

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 110,277	\$ 65,983
Short-term investments		42,882
Accounts receivable, net	58,506	54,095
Current portion of deferred income taxes	363	3,526
Prepaid expenses and other	6,965	7,945
Total current assets	176,111	174,431
Property and equipment, net	35,332	26,840
Deferred income taxes, net of current portion	1,496	30,238
Other assets, net	1,193	1,118
Goodwill	6,334	6,334
Total assets	\$ 220,466	\$ 238,961
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 5,577	\$ 8,617
Accrued taxes	1,026	924
Accrued compensation and benefits	16,775	21,749
Other accrued liabilities	9,237	7,639
Obligations under capital leases	733	706
Total current liabilities	33,348	39,635
Obligations under capital leases, net of current portion	707	958
Other long-term liabilities	5,353	1,352
Total liabilities	39,408	41,945
Commitments and contingencies (Note 8)		
Stockholders equity:		
Common stock; \$0.0001 par value; 1,000,000 shares authorized; 75,650 shares issued and 75,529 shares outstanding as of September 30, 2012; 72,688 shares issued and 72,567 shares outstanding as of December 31, 2011	8	7
Treasury stock	(441)	(441)
Additional paid-in capital	203,667	177,796
Retained earnings (accumulated deficit)	(22,213)	19,416
Accumulated other comprehensive income	37	238

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Total stockholders' equity	181,058	197,016
Total liabilities and stockholders' equity	\$ 220,466	\$ 238,961

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 September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net revenue	\$ 59,090	\$ 50,088	\$ 176,358	\$ 144,722
Cost of revenue	34,544	28,034	101,002	82,399
Gross profit	24,546	22,054	75,356	62,323
Operating expenses:				
Sales and marketing	13,512	12,144	41,158	34,664
Research and development	4,416	3,547	13,295	9,650
General and administrative	10,000	8,969	30,639	24,692
Total operating expenses	27,928	24,660	85,092	69,006
Loss from operations	(3,382)	(2,606)	(9,736)	(6,683)
Interest expense	(70)	(27)	(180)	(349)
Other income (expense), net	190	309	(124)	(662)
Loss before income taxes	(3,262)	(2,324)	(10,040)	(7,694)
Income tax (benefit) provision	322	501	31,589	(21,152)
Net income (loss)	\$ (3,584)	\$ (2,825)	\$ (41,629)	\$ 13,458
Net income (loss) per common share:				
Basic	\$ (0.05)	\$ (0.04)	\$ (0.56)	\$ 0.21
Diluted	\$ (0.05)	\$ (0.04)	\$ (0.56)	\$ 0.19
Weighted-average shares used in computing net income (loss) per common share:				
Basic	74,667	69,464	73,994	64,989
Diluted	74,667	69,464	73,994	72,208

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

Table of Contents**SERVICESOURCE INTERNATIONAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(In thousands)****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income (loss)	\$ (3,584)	\$ (2,825)	\$ (41,629)	\$ 13,458
Other comprehensive income:				
Foreign currency translation adjustments	(119)	(576)	(192)	52
Unrealized loss on investments, net of tax	(36)	(4)	(10)	(11)
Total other comprehensive income (loss), net of tax	(155)	(580)	(202)	41
Total comprehensive income (loss), net of tax	\$ (3,739)	\$ (3,405)	\$ (41,831)	\$ 13,499

Table of Contents**SERVICESOURCE INTERNATIONAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities		
Net income (loss)	\$ (41,629)	\$ 13,458
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	7,092	7,109
Loss on disposal of fixed assets		46
Amortization of deferred financing costs	135	325
Amortization of premium on short-term investments	577	87
Deferred income taxes	32,534	(22,229)
Stock-based compensation	15,260	8,104
Tax benefit from stock-based compensation	(266)	(2,382)
Changes in operating assets and liabilities:		
Accounts receivable	(4,237)	6,433
Prepaid expenses and other	734	(2,169)
Accounts payable	(1,087)	