

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 8-K

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CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): August 7, 2019



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**ServiceSource International, Inc.**

(Exact name of Registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of incorporation)

**001-35108**

(Commission File Number)

**81-0578975**

(IRS Employer Identification No.)

**707 17<sup>th</sup> Street, 25<sup>th</sup> Floor  
Denver, CO 80202**

(Address of principal executive offices, including zip code)

**(720) 889-8500**

(Registrant's telephone number, including area code)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

**Common Stock, \$0.0001 Par Value**

(Title of each class)

**SREV**

(Trading Symbol)

**The Nasdaq Stock Market LLC**

(Name of each exchange on which registered)

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**Item 2.02 Results of Operations and Financial Condition.**

On August 7, 2019, ServiceSource International, Inc. issued a press release announcing its results for the quarter ended June 30, 2019. A copy of the press release is attached as Exhibit 99.1 to this current report on Form 8-K and is incorporated by reference herein.

The information contained in Item 2.02 of this current report on Form 8-K and the Exhibit 99.1 attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

[99.1](#)

Press release dated August 7, 2019 and entitled "ServiceSource Reports Second Quarter 2019 Financial Results"

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## EXHIBIT INDEX

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">99.1</a>	Press release dated August 7, 2019 and entitled "ServiceSource Reports Second Quarter 2019 Financial Results"

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 7, 2019

SERVICESTRONG INTERNATIONAL, INC.

By: /s/ PATRICIA ELIAS

Name : Patricia Elias

Title : Executive Vice President, General Counsel

## ServiceSource Reports Second Quarter 2019 Financial Results

*Total Revenue of \$52.4 million*

*GAAP Net Loss of \$6.0 million; Non-GAAP Net Loss of \$2.1 million*

*Adjusted EBITDA of negative \$0.5 million*

*Revises full-year Revenue outlook and affirms break-even Adjusted EBITDA expectation*

**DENVER, August 7, 2019** - ServiceSource (NASDAQ: SREV), the digital customer journey experience company, today announced financial results for the three months ended June 30, 2019.

“Our teams performed well this quarter in light of what we anticipated to be a challenging year-over-year revenue comparable. We drove ongoing operational discipline throughout the business, accreted cash during the quarter, and had positive Adjusted EBITDA on a year-to-date basis while pushing forward with our digital transformation strategy and investments,” said Gary B. Moore, Chairman and CEO of ServiceSource. “We are making adjustments for sales activity and results that are below expectations and lead to a reduced full-year revenue outlook, but we remain encouraged by signs that our Customer Journey Experience (CJX) solution suite is further differentiating us as a strategic partner and thought leader in the marketplace. We will continue to take decisive action to right-size the business for our current outlook while ensuring our resources and investments are aligned to the market opportunity to drive long-term value for our stockholders.”

### **Key Financial Results – Second Quarter 2019**

- GAAP revenue was \$52.4 million, compared with \$61.1 million reported for Q2 2018.
- GAAP net loss was \$6.0 million or \$0.06 per diluted share, compared with GAAP net loss of \$8.9 million or \$0.10 per diluted share reported for Q2 2018.
- Non-GAAP net loss was \$2.1 million or \$0.02 per diluted share, compared with non-GAAP net income of \$0.8 million or \$0.01 per diluted share reported for Q2 2018.
- Adjusted EBITDA was negative \$0.5 million, compared with positive Adjusted EBITDA of \$3.2 million reported for Q2 2018.
- Positive free cash flow of \$1.4 million to end the quarter with \$27.9 million of cash and cash equivalents and restricted cash and no borrowings under the Company’s \$40.0 million revolving line of credit.

A reconciliation of GAAP to non-GAAP financial measures is provided following the Condensed Consolidated Financial Statement tables contained within this press release.

### **Key Business Highlights – Second Quarter 2019**

- Expanded revenue with four of the top 10 clients in the second quarter, with cumulative trailing 12 month revenue growth of 3.6% across the same top 10 clients.
  - Began ramping and scaling previously announced wins with a global leader in the cloud infrastructure-as-a-service market which has grown more than 80% during the trailing 12 month period.
  - Successfully renewed or extended more than 85% of the value that was up for renewal year-to-date.
  - Recruited and onboarded key senior-level hires, including a new VP of Learning & Development to lead the Company’s global talent development initiatives and a new VP of Global Sales Delivery Practices to lead the Company’s professional services and client engagement architecture teams.
  - Rationalized and exited more than 10% of the NALA real estate footprint to improve capacity utilization rates.
  - Realigned and unified the Company’s go-to-market activities and global account management teams under a single executive leader.
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“We continued to demonstrate good operational progress and execution to our strategic plan during the second quarter. Our global account management investments and the efforts across our end-to-end engagement model drove favorable results in client satisfaction and retention, while our profitability and cash flow performance was above our expectations despite the topline pressure caused by last year’s churn events,” said Richard G. Walker, CFO of ServiceSource. “As we look to the balance of this year, in light of recent unanticipated challenges that have caused sales pipeline and bookings activity to fall short of our expectations, we now expect fiscal 2019 revenue to be down approximately 10-12% year-over-year versus our previous range of down 3-5% year-over-year. We have enacted changes in our go-to-market efforts that we believe will improve our sales execution and results. Though we are disappointed with the current revenue outlook, we are aggressively managing our cost structure and are reaffirming our expectation for approximately break-even Adjusted EBITDA for the year, while importantly maintaining the pace of transformational investments that we believe set the stage to deliver on our multi-year growth objectives and roadmap.”

### **Quarterly Conference Call**

ServiceSource will discuss its second quarter 2019 results on August 8, 2019, via teleconference at 9:30 a.m. Eastern Time. To access the call within the U.S., please dial (877) 293-5486, or outside the U.S. (914) 495-8592, at least five minutes prior to the start time. Conference ID number: 8769613. In addition, a live webcast of the call will also be available on the Investor Relations section of the ServiceSource website under Events and Presentations. A replay of the webcast will also be available on the Company's website at <http://ir.servicesource.com>.

### **Forward-Looking Statements**

This press release contains forward-looking statements, including statements regarding our expectations for financial and operational performance, whether our digital transformation strategy will produce anticipated benefits, and whether our improved execution and emerging capabilities will translate into desired results. These forward-looking statements are based on our current assumptions and beliefs, and involve risks and uncertainties that could cause our results to differ materially from our forward-looking statements. Those risks and uncertainties include: a decline in client renewals, the loss of one or more of our key clients or the contraction in our revenue from one or more of our key clients, in each case resulting in churn, or our clients not expanding their relationships with us; the risk of problems implementing our technologies or that our technologies will not meet client expectations; that the market for our solution is underdeveloped and may not grow; errors in estimates as to the renewal rate improvements and/or service revenue we can generate for our clients; changes in market conditions that impact our ability to sell our solutions and/or generate service revenue on our clients’ behalf; the possibility that our estimates of service revenue, contract value, bookings, and other metrics may prove inaccurate; our ability to keep customer data and other confidential information secure; our ability to adapt our solution to changes in the market or new competition; problems encountered by our clients in their business that may cause them to cancel or reduce their business with us; our ability to achieve our expected benefits from international expansion; economic or other adverse events or conditions affecting the technology industry; our ability to protect our intellectual property rights; the risk of claims that our offerings infringe the intellectual property rights of others; and other risks and uncertainties described more fully in our periodic reports filed with the Securities and Exchange Commission, which can be obtained online at the Commission's website at <http://www.sec.gov>. All forward-looking statements in this press release are based on information currently available to us, and except as may be legally required we assume no obligation to update these forward-looking statements.

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## **About ServiceSource**

ServiceSource International, Inc. (NASDAQ: SREV) brings the world's greatest brands closer to their customers through digitally-enabled solutions and data-driven insights that personalize and power the moments that matter. Backed by 20 years of experience, an industry-leading technology platform, a robust global footprint and a powerful suite of solutions that enhance every touchpoint along the Customer Journey Experience (CJX), we deliver impactful revenue growth for global market leaders. Operating out of eight countries with more than 3,000 sales delivery professionals speaking 45 languages, ServiceSource drives billions of dollars in client value annually. To learn more about how we help our clients more effectively find, convert, nurture, grow and retain their customers, visit [www.servicesource.com](http://www.servicesource.com).

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**ServiceSource International, Inc.**  
**Condensed Consolidated Statements of Operations**  
(in thousands, except per share amounts)  
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Net revenue	\$ 52,358	\$ 61,111	\$ 107,869	\$ 119,696
Cost of revenue <sup>(1)</sup>	38,349	42,463	77,825	84,187
Gross profit	14,009	18,648	30,044	35,509
Operating expenses:				
Sales and marketing <sup>(1)</sup>	7,486	9,252	15,435	18,490
Research and development <sup>(1)</sup>	1,274	1,780	2,537	3,296
General and administrative <sup>(1)</sup>	10,970	13,157	21,952	26,046
Restructuring and other related costs	148	156	1,206	209
Total operating expenses	19,878	24,345	41,130	48,041
Loss from operations	(5,869)	(5,697)	(11,086)	(12,532)
Interest and other expense, net	(58)	(2,776)	(548)	(5,622)
Impairment loss on investment securities	—	—	—	(1,958)
Loss before income taxes	(5,927)	(8,473)	(11,634)	(20,112)
Provision for income tax expense	(108)	(414)	(120)	(427)
Net loss	\$ (6,035)	\$ (8,887)	\$ (11,754)	\$ (20,539)
Net loss per common share, basic and diluted	\$ (0.06)	\$ (0.10)	\$ (0.13)	\$ (0.23)
Weighted-average common shares outstanding, basic and diluted	93,712	91,323	93,315	90,843

<sup>(1)</sup> Reported amounts include stock-based compensation expense as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Cost of revenue	\$ 129	\$ 279	\$ 288	\$ 558
Sales and marketing	429	833	872	1,719
Research and development	18	58	12	122
General and administrative	660	2,257	1,634	4,139
Total stock-based compensation	\$ 1,236	\$ 3,427	\$ 2,806	\$ 6,538



**ServiceSource International, Inc.**  
**Condensed Consolidated Balance Sheets**  
(in thousands)  
(unaudited)

	June 30, 2019	December 31, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 25,652	\$ 26,535
Accounts receivable, net	42,933	54,284
Prepaid expenses and other	6,704	5,653
Total current assets	75,289	86,472
Property and equipment, net	37,029	36,593
Contract acquisition costs	2,041	2,660
Right-of-use assets	33,190	—
Goodwill	6,334	6,334
Other assets	4,801	4,521
Total assets	\$ 158,684	\$ 136,580
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,096	\$ 2,424
Accrued expenses	2,673	3,380
Accrued compensation and benefits	14,735	15,509
Operating lease liabilities	8,419	—
Other current liabilities	5,690	6,894
Total current liabilities	33,613	28,207
Operating lease liabilities, net of current portion	28,684	—
Other long-term liabilities	3,537	6,540
Total liabilities	65,834	34,747
Stockholders' equity:		
Preferred stock	—	—
Common stock	9	9
Treasury stock	(441)	(441)
Additional paid-in capital	372,201	369,246
Accumulated deficit	(279,137)	(267,383)
Accumulated other comprehensive income	218	402
Total stockholders' equity	92,850	101,833
Total liabilities and stockholders' equity	\$ 158,684	\$ 136,580

**ServiceSource International, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(in thousands)  
(unaudited)

	<b>For the Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (11,754)	\$ (20,539)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	6,994	9,744
Amortization of debt discount and issuance costs	38	4,923
Amortization of contract acquisition costs	868	930
Amortization of premium on short-term investments	—	(1,197)
Amortization of right-of-use assets	4,725	—
Stock-based compensation	2,806	6,538
Restructuring and other related costs	1,166	482
Impairment loss on investment securities	—	1,958
Other	—	56
Net changes in operating assets and liabilities		
Accounts receivable, net	11,328	5,593
Prepaid expenses and other assets	(898)	(434)
Contract acquisition costs	(249)	(878)
Accounts payable	(263)	(2,515)
Accrued compensation and benefits	(1,934)	(1,647)
Operating lease liabilities	(4,767)	—
Accrued expenses	(797)	(1,811)
Other liabilities	(546)	1,199
Net cash provided by operating activities	<u>6,717</u>	<u>2,402</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(6,095)	(7,268)
Purchases of short-term investments	—	(480)
Sales of short-term investments	—	133,920
Maturities of short-term investments	—	4,240
Net cash (used in) provided by investing activities	<u>(6,095)</u>	<u>130,412</u>
<b>Cash flows from financing activities:</b>		
Repayment on finance lease obligations	(421)	(156)
Proceeds from issuance of common stock	141	447
Payments related to minimum tax withholdings on restricted stock unit releases	(19)	(417)
Net cash used in financing activities	<u>(299)</u>	<u>(126)</u>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(156)	243
Net change in cash and cash equivalents and restricted cash	167	132,931
Cash and cash equivalents and restricted cash, beginning of period	27,779	52,633
Cash and cash equivalents and restricted cash, end of period	<u>\$ 27,946</u>	<u>\$ 185,564</u>

### *Use of Non-GAAP Financial Measures*

To supplement its Condensed Consolidated Financial Statements presented in accordance with generally accepted accounting principles, or GAAP, ServiceSource provides investors with non-GAAP gross profit, net income (loss), net income (loss) per diluted share and Adjusted EBITDA. A reconciliation of these non-GAAP financial measures to the closest GAAP financial measure is presented in the financial tables below under the heading, "GAAP to Non-GAAP Reconciliation."

ServiceSource believes non-GAAP financial information provided in this release can assist investors in understanding and assessing its on-going core operations and prospects for the future and provides an additional tool for investors to use in comparing ServiceSource's financial results with other companies in the industry, many of which present similar non-GAAP financial measures to investors.

Non-GAAP gross profit consists of gross profit plus adjustments to stock-based compensation, amortization of internally-developed software and amortization of purchased intangible assets.

Non-GAAP net income (loss) consists of net income (loss) plus stock-based compensation, amortization of internally-developed software, amortization of purchased intangible assets, restructuring and other related costs, amortization of contract acquisition costs related to the initial adoption of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606"), impairment loss on investment securities, non-cash interest expense and applying an income tax rate of 26.5% on non-GAAP adjustments. Stock-based compensation expense is expected to vary depending on the number of new grants issued, changes in the Company's stock price, stock market volatility, expected option lives and risk-free interest rates, all of which are difficult to estimate.

EBITDA consists of net income (loss) plus provision for income tax (benefit) expense, interest and other income (expense), net and depreciation and amortization. Adjusted EBITDA consists of EBITDA plus non-cash stock-based compensation, amortization of contract acquisition costs related to the initial adoption of ASC 606, restructuring and other related costs and impairment loss on investment securities. We are providing a forward expectation for Adjusted EBITDA only on a non-GAAP basis because ServiceSource is unable to predict with reasonable certainty the totality or ultimate outcome or occurrence of adjustments which historically have been applicable in determining Adjusted EBITDA for the forward-looking period, which can be dependent on future events that may not be reliably predicted.

These non-GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP.

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**ServiceSource International, Inc.**  
**GAAP To Non-GAAP Reconciliation**  
(in thousands, except per share amounts)  
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Net revenue</b>	\$ 52,358	\$ 61,111	\$ 107,869	\$ 119,696
<b>Gross profit</b>				
GAAP gross profit	\$ 14,009	\$ 18,648	\$ 30,044	\$ 35,509
Non-GAAP adjustments:				
Stock-based compensation	(A) 129	279	288	558
Amortization of internally-developed software	(B) 999	2,830	1,893	5,509
Amortization of purchased intangible assets	(C) —	—	—	55
Non-GAAP gross profit	<u>\$ 15,137</u>	<u>\$ 21,757</u>	<u>\$ 32,225</u>	<u>\$ 41,631</u>
<b>Gross profit %</b>				
GAAP gross profit	26.8%	30.5%	27.9%	29.7%
Non-GAAP adjustments:				
Stock-based compensation	(A) 0.2%	0.5%	0.3%	0.5%
Amortization of internally-developed software	(B) 1.9%	4.6%	1.7%	4.6%
Amortization of purchased intangible assets	(C) —%	—%	—%	—%
Non-GAAP gross profit	<u>28.9%</u>	<u>35.6%</u>	<u>29.9%</u>	<u>34.8%</u>
<i>Certain totals do not add due to rounding</i>				
<b>Operating expenses</b>				
GAAP operating expenses	\$ 19,878	\$ 24,345	\$ 41,130	\$ 48,041
Non-GAAP adjustments:				
Stock-based compensation	(A) (1,107)	(3,148)	(2,518)	(5,980)
Amortization of internally-developed software	(B) (408)	(214)	(773)	(367)
Amortization of purchased intangible assets	(C) —	—	—	(30)
Restructuring and other related costs	(D) (148)	(156)	(1,206)	(209)
Amortization of contract acquisition costs - ASC 606 initial adoption	(E) (255)	(420)	(512)	(846)
Non-GAAP operating expenses	<u>\$ 17,960</u>	<u>\$ 20,407</u>	<u>\$ 36,121</u>	<u>\$ 40,609</u>
<b>Net (loss) income</b>				
GAAP net loss	\$ (6,035)	\$ (8,887)	\$ (11,754)	\$ (20,539)
Non-GAAP adjustments:				
Stock-based compensation	(A) 1,236	3,427	2,806	6,538
Amortization of internally-developed software	(B) 1,407	3,044	2,666	5,876
Amortization of purchased intangible assets	(C) —	—	—	85
Restructuring and other related costs	(D) 148	156	1,206	209
Amortization of contract acquisition costs - ASC 606 initial adoption	(E) 255	420	512	846
Impairment loss on investment securities	(F) —	—	—	1,958
Non-cash interest expense	(G) 20	2,502	38	4,932
Income tax effect on non-GAAP adjustments	(H) 866	129	1,288	339
Non-GAAP net (loss) income	<u>\$ (2,103)</u>	<u>\$ 791</u>	<u>\$ (3,238)</u>	<u>\$ 244</u>
<b>Diluted net (loss) income per share</b>				
GAAP net loss per share	\$ (0.06)	\$ (0.10)	\$ (0.13)	\$ (0.23)
Non-GAAP adjustments:				
Stock-based compensation	(A) 0.01	0.04	0.03	0.07
Amortization of internally-developed software	(B) 0.02	0.03	0.03	0.06
Amortization of purchased intangible assets	(C) 0.00	0.00	0.00	0.00
Restructuring and other related costs	(D) 0.00	0.00	0.01	0.00
Amortization of contract acquisition costs - ASC 606 initial adoption	(E) 0.00	0.00	0.01	0.01
Impairment loss on investment securities	(F) 0.00	0.00	0.00	0.02

Non-cash interest expense	(G)	0.00	0.03	0.00	0.05
Income tax effect on non-GAAP adjustments	(H)	0.01	0.00	0.01	0.00
Non-GAAP diluted net (loss) income per share		\$ (0.02)	\$ 0.01	\$ (0.03)	\$ 0.00
<i>Certain totals do not add due to rounding</i>					
Shares used in calculating diluted net (loss) income per share on a non-GAAP basis	(I)	93,712	91,323	93,315	90,843

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## Footnotes to GAAP to Non-GAAP Reconciliation

**(A) Stock-based compensation.** Included in our GAAP presentation of cost of revenue and operating expenses, stock-based compensation consists of expenses for stock options, stock unit awards and purchase rights under our stock purchase plan. We exclude stock-based compensation expense from our non-GAAP measures because some investors may view it as not reflective of our core operating performance as it is a non-cash expense.

**(B) Amortization of internally-developed software.** Included in our GAAP presentation of cost of revenue and operating expenses, amortization of internally-developed software reflects non-cash expense for software developed or obtained for internal use. We exclude these expenses from our non-GAAP measures because we believe they are not indicative of our core operating performance.

**(C) Amortization of purchased intangibles.** Included in our GAAP presentation of gross margin and operating expenses is amortization of purchased intangible assets. We believe amortization of acquisition-related intangible assets, such as amortization of costs associated with an acquired company's research and development efforts, trade names and customer relationships, are items arising from pre-acquisition activities and determined at the time of an acquisition. Although these intangible assets are continually evaluated for impairment, amortization of purchased intangibles is a static expense and not typically affected by operations during any particular period.

**(D) Restructuring and other related costs.** Included in our GAAP presentation, we incurred expenses related to our restructuring effort to better align our cost structure with current revenue levels. Restructuring and other related costs consist primarily of employees' severance payments, related employee benefits, related legal fees and charges related to leases and other contract termination costs. These are one-time in nature costs that are not indicative of our core operating performance.

**(E) Amortization of contract acquisition costs - ASC 606 initial adoption.** Upon adoption of ASC 606 using the modified retrospective approach, we capitalized approximately \$3.3 million of previously expensed sales commissions from 2015, 2016 and 2017. Amortization of these amounts are included in our GAAP presentation as sales and marketing expense. We believe the non-cash amortization expense is not related to or indicative of our ongoing operating performance.

**(F) Impairment loss on investment securities.** We liquidated our investment securities during the first half of 2018 to have sufficient cash on hand to repay our \$150.0 million convertible notes due August 1, 2018. Based on our decision to sell these investment securities, we determined an other-than-temporary impairment occurred as of March 31, 2018 and recorded an impairment loss, which represented the difference between the investment securities' amortized cost basis and fair value. This charge is not related to or indicative of ongoing operating performance.

**(G) Non-cash interest expense.** Under GAAP, we recognize interest expense at the effective interest rate which includes interest costs related to the amortization of debt issuance costs and debt premiums or discounts. The difference between the effective interest rate and the contractual interest rate is excluded from our assessment of our operating performance because we believe this non-cash expense is not indicative of ongoing operating performance. We believe that the exclusion of the non-cash interest expense provides investors a view of our core operating performance.

**(H) Income tax effect on non-GAAP adjustments.** This adjusts the provision for income taxes to reflect the effect of the non-GAAP items A, B, C, D, E, F and G noted above on our non-GAAP net income (loss).

**(I) Shares used in calculating diluted net (loss) income per share on a non-GAAP basis.** The share count for basic and diluted earnings per share is the same due to GAAP net losses for both the three and six months ended June 30, 2019 and 2018.

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**ServiceSource International, Inc.**  
**Reconciliation of Net Loss to Adjusted EBITDA**

(in thousands)

(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Net loss	\$ (6,035)	\$ (8,887)	\$ (11,754)	\$ (20,539)
Provision for income tax expense	108	414	120	427
Interest and other expense, net	58	2,776	548	5,622
Depreciation and amortization <sup>(1)</sup>	3,709	4,941	6,994	9,744
EBITDA	(2,160)	(756)	(4,092)	(4,746)
Stock-based compensation (A)	1,236	3,427	2,806	6,538
Amortization of contract acquisition asset costs - ASC 606 initial adoption (E)	255	420	512	846
Restructuring and other related costs (D)	148	156	1,206	209
Impairment loss on investment securities (F)	—	—	—	1,958
Adjusted EBITDA	\$ (521)	\$ 3,247	\$ 432	\$ 4,805

<sup>(1)</sup> Depreciation and amortization expense is comprised of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Purchased intangible asset amortization	\$ —	\$ —	\$ —	\$ 85
Internally developed software amortization	1,407	3,044	2,666	5,876
Property and equipment depreciation	2,302	1,897	4,328	3,783
Depreciation and amortization	\$ 3,709	\$ 4,941	\$ 6,994	\$ 9,744

Investor Relations Contact for ServiceSource:

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